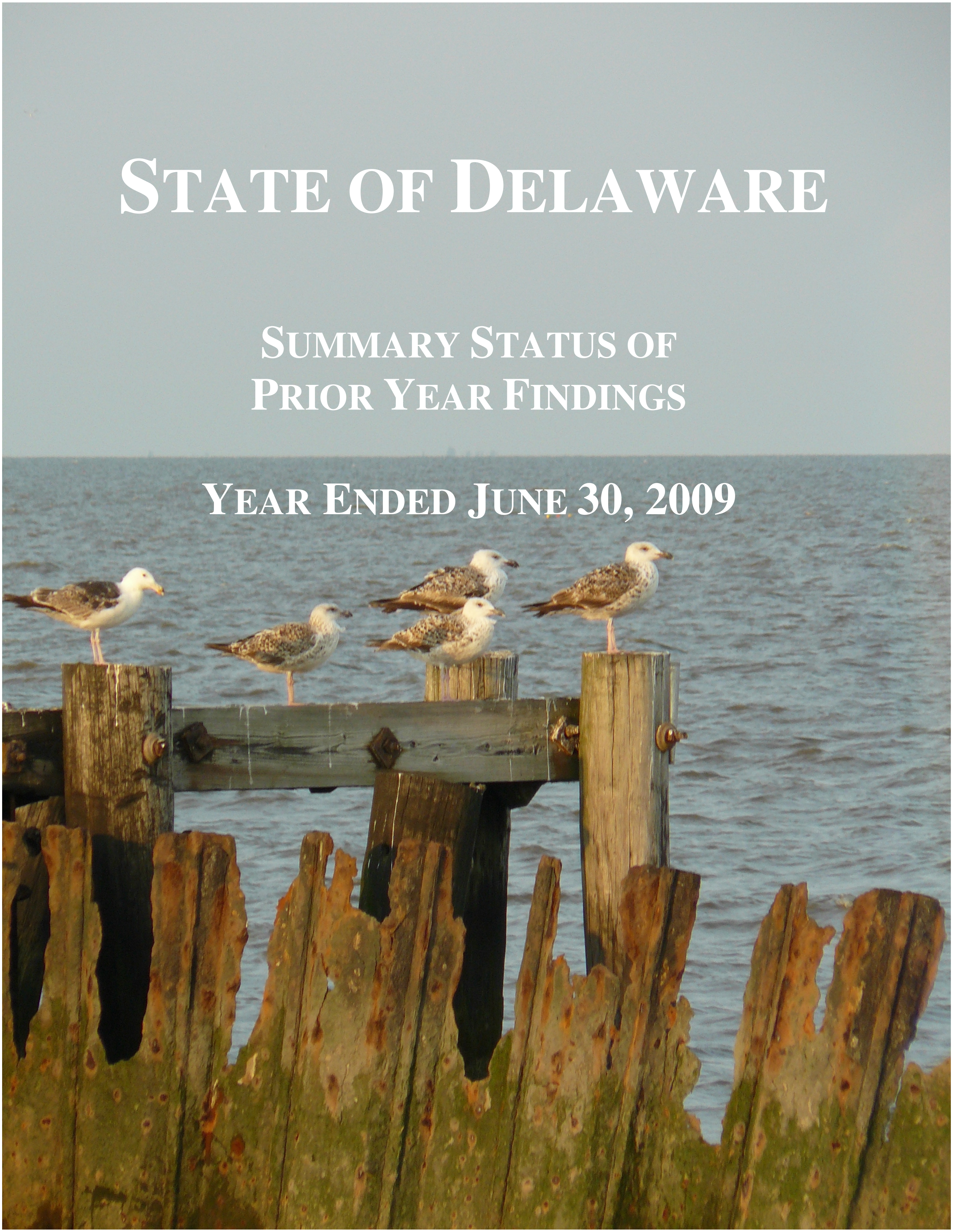
STATE OF DELAWARE

SUMMARY STATUS OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2009



Finding Number: 07-DEM-01
Fiscal Year: 2006
Related Prior Findings: 06-DEM-03, 06-DEM-05
Current Year Findings: None
Program: 97.036 Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)

Condition

Delaware Emergency Management Agency (DEMA) does not provide all appropriate award information to the subrecipients to ensure that the subrecipient is informed of all compliance requirements within each grant. In addition, DEMA did not monitor all of its subrecipients through reporting, site visits, or regular contact. DEMA had no procedures in place during the 2007 fiscal year to ensure that its subrecipients met the audit requirements of OMB Circular A-133, nor did DEMA notify the subrecipients of the audit requirements at the initial award of the subgrant. DEMA also did not have procedures in place to evaluate the impact of subrecipient activities on the pass-through entities' ability to comply with applicable federal regulations. The total grant awards passed through to subrecipients was $4,501,472 for Public Assistance Grants.

Recommendation

We recommend that monitoring of subrecipients, whether state agencies or external agencies, include the following: (1) proper notification by DEMA at the time of the initial grant award to the subrecipient of the requirement to maintain documentation supporting all transactions related to federal funds for a period of three years after the grant has been closed; (2) periodic monitoring of fiscal requirements and performance of regular site visits and desktop audits to ensure that subrecipients are expending the federal funds awarded properly (including, but not limited to, allowability of costs, cash management, period of availability, reporting and procurement, and suspension and debarment); and (3) providing documentation of all subrecipient monitoring policies and procedures to all staff responsible for the grant.

Agency Contact

Bob Harrison (302) 659-2244

Finding Status

Fully Corrected

Status

Contract employee hired to work 2 days a week on Sub-receipient monitoring. There is now a well documented monitoring program for all grants managed by the division.

Finding Number: 2008-1
Fiscal Year: 2003
Related Prior Findings: 03-FIN-01, 04-FIN-01, 05-FIN-01, 06-FIN-01, 03-FIN-02, 04-FIN-02, 05-FIN-02, 06-FIN-02, 2007-1
Current Year Findings: 2009-01

Lack of Controls over the Comprehensive Annual Financial Report (CAFR) Preparation

Condition

During Fiscal Year 2008, the Division of Accounting (DOA) implemented a new process to prepare the State's CAFR using an ad-hoc report writer software program, CAFR 2000. CAFR 2000 assisted the State in producing the financial statements and eliminated a portion of the manual process. However, due to the decentralized organizational structure of the State, the CAFR preparation process still entails compiling worksheets, completing reconciliations, customizing reports, and recording various adjustments. The many sources of information and the extent of modification necessary to such information results in a financial reporting process that is highly complex and susceptible to errors. There was an internal review of the draft CAFR prior to submitting the document for audit, and the process produced a document that continues to be improved from the past. While a timeline was developed for the completion of major milestones for the CAFR process, some of the significant deadlines were not met due to the complexity of the process and the need to obtain a significant portion of financial data from the various agencies within the State.

The State's financial reporting process is dependent on cooperation from the State's component units and other agencies. The component units and several large funds have separate audits that need to be coordinated. When there is not a separate audit, in order to provide financial information in accordance with generally accepted accounting principles (GAAP), accrual accounting packages (GAAP packages) are completed annually by personnel in departments and agencies across the State. As a result, there are many manual processes completed by agency/department personnel. These processes include the development of accounts receivables and related allowances for uncollectible accounts, accruals of State obligations, the development of construction in progress related to capital assets, and the capture of cash and investment balances controlled outside of the Treasurer's Office. Many of the agencies use systems outside of the current statewide accounting system to gather and track the required information. This adds to the complexity of the year-end reporting and reconciliation process. In addition, the GAAP package reporting process includes the preparation of over 125 packages and relies heavily on agency personnel, many of whom lack the necessary experience and accounting background to properly complete the packages. DOA conducts training on the preparation of the packages and conducts internal reviews of the material packages to ensure that amounts are accurate and properly supported. However, these procedures were not completed until late in the financial statement preparation process and well after the established deadlines. Even after these reviews, various errors went undetected as follows:

<u>Lack of Controls over the Estimation of the Allowance for Doubtful Accounts</u>
Certain agencies did not properly calculate net accounts receivable and the related allowances for doubtful accounts as discussed below:

Department of Labor
The allowance for doubtful accounts for Department of Labor's Unemployment Insurance Trust Fund was originally calculated using the Federal reporting guidelines set forth by the U.S. Department of Labor, which are not considered to be in accordance with GAAP. Based on our analysis, we noted that the allowance was understated by approximately $4.6 million.

Division of Revenue
We noted that the Division of Revenue's allowance for doubtful accounts estimate was originally calculated using an erroneous percentage of gross accounts receivable resulting in an understatement of the allowance of approximately $7 million. We also noted that the analysis model used for the calculation was not based on actual current trends as it has not been updated since Fiscal Year 2001.

Lack of Controls over Grant Revenue and Receivables
Under the State's policy for recognizing revenue under the modified accrual basis of accounting, which is required to be used in the fund level financial statements, only funds available within the first 60 days after year-end are recognized as revenue. During our review of 24 grants receivable balances, we noted 5 grants totaling approximately $4.3 million where revenue was incorrectly recognized as the funds were not available within the sixty-day period.

Lack of Controls over Accounts Payable
During our review of 13 invoices relating to expenditures in the capital projects fund, we noted 3 expenditures relating to Fiscal Year 2008 and totaling approximately $7.4 million that were not properly accrued for in the financial statements. In addition, during our review of 48 invoices relating to expenditures in the government-wide activities, we noted one expenditure relating to Fiscal Year 2008 and totaling approximately $1 million that was not properly accrued for in the financial statements.

Lack of Controls over Compensated Absences
During our review of an original sample of 17 compensated absence balances, we detected errors that were the result of incorrect information manually input into the spreadsheets used to calculate the liability, a failure of employees to report accurate uses of sick and vacation time, as well as adjustments made after-the-fact to timecards that were not properly captured in the accrual.

Lack of Controls over Capital Asset Activity
We noted significant adjustments made by DOA to agency information to correct construction-in-progress, capital assets additions, and deletions. Specifically, we noted the following:

- DOA adjusted for approximately $59 million of construction-in-process additions that were erroneously omitted by the agencies, as well as approximately $24 million of projects that were incorrectly recorded as completed.

- DOA recorded a net adjustment of approximately $10 million related to prior periods for capital asset activity which was unrecorded at the agency level. Also, during the course of our audit, we noted one instance for which documentation did not exist to support the removal of an asset with a value of approximately $1.6 million.

- A parcel of land valued at approximately $13.7 million representing an easement donated in 2005 was not recorded until Fiscal Year 2008.

- The State of Delaware Office of Management and Budget has a policy to record construction-in-progress activity for the 12-month period of June through May as opposed to the actual 12 months in its fiscal year (i.e., July through June). Although the State is capturing 12 months of capital asset activity in each fiscal year, depending on the timing of capital projects, the State's policy could result in a material misstatement of capital assets. During Fiscal Year 2008, we noted that a net $1 million in capital assets that were not properly recorded in Fiscal Year 2008 as a result of this policy.

Lack of Controls over Other Revenue in the General Fund
We noted that the State used a multitude of cash adjustments flowing through the other revenue account that were used to reclassify revenue from one appropriation to another in order for the agencies to spend funds in accordance with the State's budget. There were numerous errors in this manual reclassification of revenue. Specifically, we noted approximately $26.6 million in other revenue and expenditures were double counted in the general fund. In addition, DOA was not able to readily determine or explain what transactions comprised the other revenue financial statement line item. We also noted a similar issue in the local school district fund's separate opinion unit, which is reported in a separate material weakness in finding No. 2008-03 below.

Lack of Proper Review of Financial Statement Information
We noted that the Department of Labor and the local school districts do not routinely perform a formal review of the related agency's financial information included in the Statewide financial statements prior to issuance. In addition, certain agencies were not able to explain fluctuations between current and prior year financial statement amounts nor were the agencies able to discuss the composition of the financial statement line item amounts.

In addition, we noted that the State relies heavily on the audit process to detect reporting errors (e.g., summation errors, consistency of information reported in notes and schedules to the financial statements and to ensure that new and existing accounting standards and literature are properly implemented).

Recommendation

We recommend that management continue with the progress made to date in refining the process used to complete the draft financial statements, notes to the financial statements, and all significant adjustments, conversion to accrual adjustments, and reconciliations. The review process should include an evaluation of the reasonableness of individual financial statement line items by an individual with sufficient accounting and financial reporting experience and knowledge of the processes at each agency to detect inconsistencies and errors. Specific focus should be placed on achieving proper accounting cutoff and valuation of accounts associated with the GAAP package process and report preparation.

Because of the complexity of the report development process, management should re-evaluate the adjustments to convert budget-basis DFMS numbers to GAAP basis and limit reconciling adjustments to required material amounts.

During the audit, DOA filled the open CAFR manager position with a Certified Public Accountant that has financial statement preparation experience. We encourage the State to continue to use this person to monitor the agency accountants and expand the knowledge base of personnel who understand GAAP. This resource is critical to the successful oversight of the GAAP package process and financial reporting processes in the outside departments and agencies that report to DOA for year-end financial reporting. In addition, due to the size and complexity of the State, we recommend that the State continue to expand its resources with additional trained accountants at both the DOA and the State agencies.

We continue to recommend that the GAAP package preparation process be a priority for all entities/agencies included in the State's financial reporting entity. The importance of accurate and timely submission of financial information should be communicated to the senior management responsible for these entities/agencies. The process to transition the preparation of the GAAP package to new personnel should be planned and coordinated to maximize knowledge transfer. In addition, we recommend that the internal control resources in the DOA continue the progress to communicate and train the agency staff year-round to improve the year-end reporting process and develop better information sources to complete the packages. For example, the capital asset review process should be completed throughout the year to ensure the agencies are appropriately capturing activity for all projects, maintaining current records, and transferring construction in process to the final asset ledger timely so the GAAP packages are complete and accurate and in accordance with State's policy and generally accepted accounting standards. The current year training on GAAP package preparation should be updated to include more theoretical basis for what should be included in the packages. Areas of focus continue to include accounting estimates, receivable balances, and capital asset accounting.

Lastly, we understand that DOA is currently working closely with the implementation team of the State's new accounting system. We continue to recommend that every effort be made to consolidate as much GAAP Package accrual information as practical into the new central accounting system. These items include debt, capital assets, accounts payable, accruals of payroll and other liabilities, and accounts receivable for all the agencies. The benefits of a more robust central accounting system will include a more efficient reporting process, as well as better internal controls and more complete information for management decision making throughout the year.

Agency Contact
Valerie M. Watson, Acting Director, Division of Accounting (302) 672-5500

Finding Status
Not corrected or partially corrected.

Status
We agree that the review process for all significant adjustments, conversion to accrual adjustments and reconciliations should include an evaluation of the reasonableness of individual financial statement line items. We continued to make significant strides during the current year GAAP and report preparation processes toward this goal. We implemented CAFR 2000, a proven software program that allows for a more automated CAFR statement process than in previous years; however, we agree there is always room for improvement. We have reviewed the GAAP adjustments and at the current time we do not feel that any additional improvements can be made due to Governmental GAAP requirements and the possible impact on the audit trail of adjustments. However, when the new State financial system is in operation there will be a better opportunity to fine tune the adjustments since the vast majority of the CAFR information will be located in one centralized system.

During Fiscal Year 2008, the division continued to increase the human resources assigned to prepare the State's CAFR by adding two new internal control positions, bringing the complement of the team to six (a manager who holds Certified Government Financial Manager (CGFM) and Certified Public Accountant (CPA) certifications; each member of the CAFR team is a Certified Internal Control Auditor (CICA); each member of the team also holds a Bachelor of Science degree in Accounting; and one member holds a Masters in Business Administration Finance.) By comparison, three years ago, only two full time employees were assigned to prepare the CAFR, with assistance from accounting consultants.

We are also focusing on how to achieve proper accounting cut off and valuation of accounts associated with the GAAP reporting package process and report preparation. An analysis of high risk areas is being performed and we are working with organizations to develop a better process to capture information. We are performing internal control reviews of organizations' financial reporting activities to enhance error detection and eliminate inconsistencies within the process. We developed a GAAP package scorecard and use it to communicate the findings organizations received from either the Division of Accounting or KPMG to them. Additionally, the Department of Finance's Acting Secretary shared the findings with cabinet level officials in these organizations.

Management agrees that the State needs to expand its resources by hiring trained accountants to perform accounting functions within state organizations. The division director has worked with the State human resources management division to increase the educational and experiential requirements for the State Accountant series in the Division of Accounting and is promoting the use of this series statewide. This series creates structured promotional opportunities and requires professional education and/or certifications for advancement. We encourage and promote professional certifications within the division and will continue to develop CAFR staff through professional development opportunities and continuing professional education courses.

We agree that the GAAP reporting package preparation process should be a priority for all departments and school districts included in the State's financial reporting entity. As a result, we have continued to make enhancements to the process. In 2008, the GAAP reporting package manual was revised and improvements were also made to the annual GAAP training to provide better guidance to state organizations and to ensure conformity and consistency in the reporting of year-end financial data in accordance with GAAP. To enhance this process and allow for greater accountability, we developed checklists for organizations to attest that a review of the GAAP reporting package is performed by someone other than the preparer before it is submitted to the Division of Accounting. The Acting Secretary of Finance also briefed the Governor's cabinet of significant deadlines related to the preparation of the 2009 CAFR and the need for greater accountability over the GAAP package process at senior levels of management during the June 2009 cabinet meeting.

GAAP training stresses the importance of timeliness in financial reporting and state organizations' responsibility for submitting accurate, complete, and timely GAAP reporting packages. In addition, audit debriefing meetings were conducted with State organizations to review adjustments to GAAP reporting information submitted to the division. Accurate reporting methodologies and improvements to reporting processes were recommended during debrief meetings to minimize errors in future GAAP reporting packages. We conducted eight debrief meetings during the months of March through April of 2009 and will work to ensure that they have implemented the recommendations. We have also made improvements to the capital asset reporting process by conducting interim reviews focused on accounting for capital construction project balances within the fiscal year and at year end. We have conducted reviews on organizations that had significant balances from the prior year and organizations that received significant funding from the State's bond proceeds.

CAFR personnel have been continually involved with the design of the new financials system reporting requirements and the GAAP package accrual process. Processes and reports will be tested during fiscal years 2009/2010 to ensure adequate and accurate financial information is produced throughout the transition and production processes for CAFR preparation. We look forward to reaping the benefits of a more robust central system that produces greater efficiencies in all statewide financial processes.

Anticipated Completion Date
Ongoing.

Finding Number: 2008-02
Fiscal Year: 2006
Related Prior Findings: 06-FIN-05, 2007-2
Current Year Findings: 2009-03

Lack of Controls over Journal Entries

Condition
The DOA is responsible for the oversight of the processing of financial transactions in DFMS. We selected 141 journal entry transactions for testing and identified several ongoing internal control deficiencies including the following:

- We noted that for 19 journal entries, certain agencies/divisions/departments selected for review did not provide adequate supporting documentation or specify the business function or rationale to support the journal entries.
- We noted that for 4 journal entries, certain agencies/divisions/departments provided journal entries that were not properly authorized. Personnel are not required to have journal entries approved by another individual prior to submission to DFMS.

The total dollar value of the unsupported/unapproved journal entries was approximately $8 million.

Recommendation
We recommend that DOA take appropriate action to ensure that journal entries are appropriately reviewed prior to submission into DFMS.

- Agencies/divisions/departments should take the appropriate steps to ensure journal entries are properly supported. The supporting documentation should include the business function and rationale for the journal entry.
- Agencies/division/department should designate an individual to prepare the journal entry within the agencies/division/department and have an individual, with sufficient knowledge of accounting and the business processes, but without journal entry preparation and posting responsibilities, to approve the journal entries for adequate separation of duties.

Agency Contact
Valerie M. Watson, Acting Director, Division of Accounting (302) 672-5500

Finding Status
Not corrected or partially corrected.

Status
We will communicate to state organizations the importance of applying stringent controls when reviewing and approving journal entry documents. On a sampling basis, our internal control staff will be conducing reviews to ensure compliance. We have already conducted an interim review of these types of transactions and have not identified any significant issues. We will conduct a year end review in August 2009 to obtain a conclusion on the remaining transactions.

We are currently in the process of reviewing organizations' internal control policies to ensure an adequate segregation of duties exist and provide recommendations for improvement, as needed. Seventy-eight percent of state organizations have submitted policies to date.

Anticipated Completion Date
September 2009 - Reviewing support for sample of journal entry transactions
June 2009 - Communication occrued with agencies lacking controls over journal entries in DFMS

Finding Number: 2008-03
Fiscal Year: 2008
Related Prior Findings: None
Current Year Findings: 2009-02

Lack of Controls over Accounting and Reporting at the Local School Districts

Condition

The local school districts (LSDs) report financial information to DOA through the use of GAAP packages as previously noted. Due to the inherent nature of these entities, the LSDs are extremely de-centralized from the rest of the State's primary government agencies. In addition, the majority of LSD personnel with the responsibility for the preparation and submission of the financial information used in the preparation of the State's financial statements lack the necessary experience and accounting background to properly complete the GAAP packages. During the course of our audit, we selected and reviewed the financial information for 9 LSDs as follows: Laurel, Cape Henlopen, Christina, Red Clay, Smyrna, Appoquinimink, New Castle County Vocational Technical, and Colonial. Although the information submitted by the local school districts is subject to review by DOA, we noted the following deficiencies during our audit:

Lack of Controls over Other Revenue

We noted numerous cash adjustments flowing through the other revenue account that were used to reclassify revenue from one appropriation to another in order for the agencies to spend funds in accordance with the State's budget. The inappropriate use of the cash adjustments resulted in $13.3 million misclassified as other revenue and numerous instances of the double counting revenues amounting to $3.3 million. When asked to explain the composition and fluctuations in the other revenue account, neither DOA nor LSD personnel were able to provide meaningful explanations.

Lack of Segregation of Duties in the Cash Management Operations

We noted that LSD personnel perform multiple incompatible cash management functions such as receipt, deposit, disbursement, recording and reconciling the accounts at the majority of the LSDs reviewed. We also noted several instances where there was no management review of cash reconciliation functions. In addition, there were several LSD bank accounts that had significantly aged outstanding checks. Lastly, we noted that, although subsequently deemed to be immaterial in amount, inappropriate activity occurred in one LSD's checking account as the result of the lack of proper segregation of duties and reconciliation controls.

Lack of Controls over Accrual Entries to Reclassify Senior Tax Credits

We noted that the debt service portion of the Senior Tax Credit was double counted in the other revenue and transfers-in categories as a result of various accrual journal entries to reclassify property tax receipts, Children's Services Cost Recovery Project (CSCRP) receipts, and LSD and charter school revenue to transfers-in and to record debt service fund activity. The same journal entries were made for all LSDs and resulted in an aggregated $1.4 million overstatement in transfers-in and understatement of real estate tax revenue.

Lack of Controls over Accounting for Tuition Vouchers

We noted that although the general public does not actually pay tuition, numerous Intra-governmental Voucher documents (IVE) were used to move tuition income from one LSD to another. This revenue was recorded to fund the costs for a student to attend a school and is primarily derived from taxes. For example, if a student living and paying taxes in one district (primary district) attends a different school district (secondary district), the primary district will transfer funds via an IVE to the secondary district. Instead of recording this transaction as a transfer-out from the primary district and a transfer-in to the secondary district, an entry is made to record this transaction as an expense to the primary district and tuition revenue to the secondary school district. Recording such an entry resulted in an overstatement of revenue as the pupil's costs were originally recorded as tax revenue in the primary district and again as tuition revenue in the secondary district, as well as an overstatement of expenditures as the primary district records tuition expenditures when it transfers the funds to the secondary district and again as operating expenditures for costs incurred throughout the year in the secondary district. These erroneous entries resulted in an approximately $27 million double counting of LSD revenues and expenditures and an understatement of transfers-in/out.

Recommendation
We recommend that the DOA provide the LSDs with the appropriate level of training over GAAP reporting requirements to ensure that financial information submitted for inclusion in the State's financial statements is accurate and transactions are recorded in accordance with GAAP. We also recommend that the DOA perform account analyses of financial statement line items to ensure the propriety of the composition of financial statement amounts.

Agency Contact
Valerie M. Watson, Acting Director, Division of Accounting (302) 672-5500

Finding Status
Not corrected or partially corrected.

Status
We provided training to the local school districts' chief financial officers at the June 2009 chief financial officers' meeting. We stressed the importance of the information and processes used to compile GAAP package information.

We will be performing analytics on the balances of the local school district's financial statements to ensure financial transactions are made in accordance with GAAP.

Anticipated Completion Date
June 2009 - Provided training to the Chief Financial Officers
September 2009 - Perform analytics on local school districts balances

Finding Number: 2008-04
Fiscal Year: 2008
Related Prior Findings: None
Current Year Findings: None

Lack of Controls over Investments

Condition
The State Treasurer maintains the majority of the State's deposits and investments according to the guidelines set forth in the *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* by the State's Cash Management Policy Board.

Accounting for Investments
We noted the State's policy is to net investment receivables and payables. The State then adjusts the total investment balance by the net amount instead of properly presenting the separate gross receivables and payables. Specifically, we noted that the State netted approximately $10.7 million of receivables and approximately $13 million of payables and reduced the investment balance by approximately $2.3 million at June 30, 2008. Additionally, we noted that the State erroneously recorded investment income of approximately $4.1 million as opposed to correct amount of $7.9 million resulting in an understatement of investment income of approximately $3.8 million.

We also noted that the State does not record all of the reconciling items noted on the cash reconciliation prepared by the Office of the State Treasurer. This resulted in an understatement of investments of approximately $5.7 million at June 30, 2008.

Investment Due Diligence
Based on discussions with the Cash and Debt Manager in the Treasurer's Office and our review of documentation supporting the State's investment holdings, we noted that management does not adequately document procedures performed over investment due diligence. As such, we were unable to determine if certain investment impairment considerations due to the current economic climate were made by management. We also noted that management relies heavily on the work performed by its investment custodian and does not perform monitoring procedures over the custodian to ensure that the custodian is adequately performing the delegated responsibilities.

Recommendation
We recommend that the State implement monitoring and review controls to ensure that the custodian is adequately performing the delegated responsibilities and that information provided by the custodian is adequate for GAAP financial reporting purposes.

Agency Contact
Velda Jones-Potter, State Treasurer (302) 672-5500

Finding Status
Fully corrected.

Status
In accordance with the recommendation of KPMG and our own internal review of Controls over Investments, we have developed new internal control guidelines that are followed on a monthly basis. These guidelines were developed internally, and reviewed by the Division of Accounting.

Finding Number: **2008-05**
Fiscal Year: **2008**
Related Prior Findings: **None**
Current Year Findings: **2009-01**

Lack of Controls over Accounting for the Reserve for Encumbrances in the General Fund

Condition
The State routinely enters into contracts and purchase orders that will be fulfilled in a subsequent fiscal year. Although the contract or purchase order creates a legal commitment, the State incurs no liability until performance has occurred on the part of the party with whom the State has entered into the agreement. These commitments are encumbered and the related amounts are reported as a reserve of fund balance in the fund-level financial statements.

During our audit, we noted one instance in our sample of 22 general fund encumbrance balances for which the contract with the vendor was terminated, but the related encumbrance of approximately $5 million was not properly released from encumbrance.

Recommendation
We recommend that the State perform a review of encumbrances at year-end to ensure only valid encumbrances are reserved for in the financial statements.

Agency Contact
Valerie M. Watson, Acting Director, Division of Accounting (302) 672-5500

Finding Status
Not corrected or partially corrected.

Status
We are currently reviewing the encumbrance process and have released an accounting memorandum to all organizations reminding them of the State's encumbrance policies.

Anticipated Completion Date
September 2009 - Complete a review on a sampling basis of encumbrances

Finding Number: **2008-06**
Fiscal Year: **2008**
Related Prior Findings: **None**
Current Year Findings: **None**

Lack of Controls over the Close-out of Third-Party Claims

Condition
The Medicaid Management Information System (MMIS) is used by the State to track Medicaid claims data for program participants. MMIS monitors payments made to health care providers and identifies the legal obligations of other parties, such as insurance companies, if/when a processed claim should be paid by a third party as opposed to the State. In such cases, the State requests reimbursement from third party insurers for payments made on behalf of Medicaid program participants and tracks the status of reimbursement requests through the MMIS system. Cases are closed when reimbursement is collected or third party claims are deemed uncollectible.

During our audit, we noted that 2 of the 8 third-party liability claims selected were not properly closed. Specifically, based on our review of the related case files, case notes and MMIS support, we noted that these cases were scheduled to be closed prior to year-end, as the balances were deemed uncollectible. However, the closeout and related write-off for each was not recorded in MMIS until November 6, 2008, subsequent to our request for the related case files.

Recommendation
We recommend that the State implement monitoring and review controls to ensure that the information in the case files is accurately reflected in MMIS.

Agency Contact
Melissa Isbell, Controller, Department of Health and Social Services (302) 255-9261

Finding Status
Fully corrected.

Status
DMMA has implemented a new procedure effective March 2009 in which all cases that are closed on our case logs are currently being reviewed on a quarterly basis to ensure that they are also closed in the MMIS system.

Finding Number: **2008-07**
Fiscal Year: **2008**
Related Prior Findings: **None**
Current Year Findings: **2009-04**

Lack of Controls over Accounting for Other Post-Employment Benefits

Condition
During the year-ended June 30, 2008, the State adopted Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* which establishes the financial statement and disclosure requirements for reporting by administrators or trustees of the postemployment benefit (OPEB) plan assets, liabilities, net assets, and changes in net assets held in trust for the payment of benefits and the disclosure of actuarial information about the funded status and funding progress of the plan and the contributions made to the plan by participating employers in comparison to the annual required contributions of the employer. The State also implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which establishes standards of accounting and financial reporting for OPEB expense/expenditures and related OPEB liabilities or OPEB assets, note disclosures, and required supplementary information (RSI) in the financial reports of state and local governmental employers. The accounting and financial reporting related to the OPEB Plan was performed by the State Benefits Office (SBO).

Although the OPEB financial information submitted by the SBO is subject to review by DOA, we noted the following deficiencies during our audit:

Lack of Controls over the Reconciliation of the Thomson MedStat Database to Third-party Administrators and DFMS
The SBO has a written policy documenting the process for reviewing and reconciling enrollment and claims data received quarterly from each third party insurance administrator to data uploaded to the Thomson MedStat database. We noted that the written policy does not include 'acceptable difference thresholds' which would determine what level of variance between the two data sources should be investigated. There was also no evidence of review of the quarterly reconciliations by a party other than the preparer. Additionally, we noted that there is no process in place at the SBO or elsewhere to reconcile claims payments per the Thomson MedStat database to DFMS records. There is a process in place at the State's Office of Management and Budget to reconcile invoices received from the third party insurance administrators to expenditures recorded in DFMS, but this process is not linked to database records. The database is relied upon to generate key inputs for financial statement estimates and disclosures.

Lack of Controls over Management Review of Claims Data at Third-party Administrators
We noted that the SBO performs "audits" of claims data at the third party administrators periodically, at the discretion of the Governmental Health Insurance Program (GHIP) board. There were no such audits performed in Fiscal Year 2008. In addition, there is no review of administrator invoices prior to payment, other than a fluctuation analysis.

Lack of Management Review of Statement on Auditing Standards No. 70, *Service Organizations* (SAS 70) Reports for Service Providers
Because significant control processes occur at third party locations that are outside of the SBO control environment, SBO management should obtain and review all vendor SAS 70 reports. The review should include assessing the impact of any control exceptions noted, as well as appropriate consideration of any scope limitations noted in the report and 'user control considerations'. Management should document this review. We noted that SAS 70 reports for outside vendors are currently only reviewed in connection with a bidding process.

Recommendation
We recommend that the State perform implement controls to ensure the timely reconciliation of the Thomson MedStat database to third-party administrators and DFMS, a timely and thorough review of claims data at third-party administrators, and an assessment of the impact of any control exceptions in the third-party administrators SAS 70 reports.

Agency Contact
Brenda Lakeman, Director, Statewide Benefits Office   (302) 739-8331

Finding Status
Partially corrected.

Status
The Statewide Benefits Office has revised the SBO policy documenting the process for reviewing and reconciling enrollment and claims data received quarterly from each third party Insurance Administrator to data uploaded to the Medstat database to include acceptable difference thresholds not to exceed five percent. Additionally, management will review the quarterly reconciliation and verify in writing that the review is complete, accurate and acceptable.

Using the procedures outlined in the October 14, 2008 memo, Statewide Benefits Office intends to implement a quarterly reconciliation of the claims paid per the MedStat database to claims expenditures per DFMS and the monthly Health Fund & Equity reports. A variance of no more than ten percent (10%) will be considered acceptable. Additionally, a similar reconciliation will be performed on an annual basis approximately three months following close of the fiscal year, which should reflect a variance not to exceed five percent (5%).

Statewide Benefits Office intends to incorporate performance standards into upcoming (Fiscal Year 2010) contract amendments with the third party administrators and data mining vendor requiring these vendors to provide SAS70 reports on an annual basis. Additionally, Statewide Benefits Office will perform and document a review of the SAS70 reporting which shall include an assessment of the impact of any control exceptions noted as well as appropriate consideration of any scope limitations noted in the report and "user control considerations."

Statewide Benefits Office intends to develop policies and procedures which will ensure a more consistent and in-depth review and analysis of third party administrators invoices. Additionally, management intends to research and explore resources and methods available to verify third party administrator processes and systems have in place the proper controls to mitigate the risk of error or misstatement.

The Statewide Benefits Office will be working with Medstat and the third party administrators to modify the file formats for enrollment and claims information being uploaded into the database so that a clear distinction can be made between those groups and participants who are "OPEB Eligible" versus "Non-OPEB Eligible."

Anticipated Completion Date
FY2010

Finding Number: **2008-08**
Fiscal Year: **2008**
Related Prior Findings: **None**
Current Year Findings: **None**

Lack of Controls over Accounting for Securities Lending Transactions

Condition
Based on our valuation testing over securities lending collateral and our review of the underlying contract, we noted that management was not properly accounting for market value decreases in the cash collateral provided by borrowers. We also noted that management did not adequately review the information provided by its custodian to determine that the information provided was inadequate for GAAP financial reporting purposes. This resulted in an adjustment of approximately $1.3 million.

Recommendation
We recommend that the State implement monitoring and review controls to ensure that information provided by the custodian is adequate for GAAP financial reporting purposes.

Agency Contact
Velda Jones-Potter, State Treasurer (302) 672-5500

Finding Status
Fully corrected.

Status
In accordance with the recommendation of KPMG and our own internal review of Controls over Accounting for Securities Lending program, we have developed new internal control guidelines that are followed. These guidelines were developed internally, and reviewed by the Division of Accounting.

Finding Number: 2008-09
Fiscal Year: 2008
Related Prior Findings: None
Current Year Findings: None

Lack of Controls over System Access

Condition
As previously noted, DFMS is the State's financial management system. The State's payroll and human resource management system is the Payroll/Human Resource Statewide Technology System (PHRST). Recently, the PHRST System was successfully upgraded from client-based PeopleSoft v7.51 to web-based PeopleSoft v8.8. This system is used by approximately 800 users.

During our audit, we determined that one user had access to the development and production environments for DFMS and 4 users had access to the development and production environments for PeopleSoft. We noted that those with access to both the development and production environments for PeopleSoft are database administrators (DBAs). We also noted that 3 users had access to both the PeopleSoft Administrator and PHRST Security roles with access to security and the rights to make changes to the system files within the PeopleSoft application. The "PHRST Security" role is utilized in migrating development code into production. The "PeopleSoft Administrator" role is utilized for user and system administration. We determined that no segregation of duties existed for these roles.

Recommendation
We recommend segregating development and production access for DBAs or instituting additional compensating controls including granting of temporary access to the production environment when needed.

Agency Contact
Jim Sills – Department of Technology and Information (302) 739-9629

Finding Status
Action taken different than original corrective action

Status
DFMS - Per Trisha Neely, Director for Division of Accounting, Department of Finance, "Ms. Bowe's current access capabilities will not be changed. DFMS is comprised of application tables and proprietary core software tables which must be maintained and modified when adding new tables or modifying existing ones. Since Ms. Bowe is the manager of the DFMS programmers, she is the only one that has this unique access and she needs that access to allow for changes that are required within the application. Ms. Bowe does not have approval access to the document processor and therefore cannot authorize payments."

PHRST - "4 users had acess to the development and production environments for PeopleSoft." Per Kamlesh Sheth, ERP Service Delivery Manager, DTI, "This finding was also noted in previous audit. Four people mentioned here are DTI Database Administrators. DBA needs full access to perform their duties to support applications."

PHRST - "3 users had access to both the PeopleSoft Administrator and PHRST Security roles with access to security and the rights to make changes to the system files within the Peoplesoft application." Per Kamlesh Sheth, ERP Service Delivery Manager, DTI, "PHRST has reduced the number of users assigned to the PeopleSoft Administrator role from nine users to four. The four users having this access are two PHRST

PeopleSoft Administrators and one backup and the PHRST Security Administrator. The access granted to these users is necessary for requirement of job function."

Anticipated Completion Date
Item for DFMS will remain as is per DFMS management's response. Compensating controls for individual's DFMS access is as follows: Per Kelly Doremus at DFMS, "a review is performed of the daily archive report which shows all activity within DFMS. If there is any unusual activity, then they go back through and check things based on the user ID."

Items identified for PHRST will remain as is with compensating controls as follows:

PHRST - DBAs - per Richard Borrelli, "we are evaluating internal scripts comprised of unix scripts with SQL statements (currently being used in the Pensions PeopleSoft environment) to provide an audit trail and monitoring of production ERP systems with a focus on being in compliance and accountable for the work DBAs perform within the ERP environment. Ongoing efforts will continue in Test and Development towards qualifying this solution to provide comprehensive logging of day to day DBA database management."

PHRST - Security staff access - Per Kamlesh Sheth, "The compensating controls for the access currently assigned to the PHRST security staff are in the form of queries that can be used by management. These queries report UserID with date and time stamp for additions, deletions and modifications to PeopleSoft pages, fields, records and table entries. These queries report changes made by all system users including the security staff."

Finding Number: 2008-10
Fiscal Year: 2006
Related Prior Findings: 06-DOT-01, 2007-3
Current Year Findings: 2009-05

Accounting for Capital Assets and Infrastructure

Condition
In order to calculate the ending capital asset balances for the Department's financial statements, the Department uses various spreadsheets as well as expense reports from its general ledger system to calculate the balance of capital assets and infrastructure. The Department does not currently have a capital asset subsidiary ledger that can roll-forward all of the elements typically contained in capital asset records, including identification, location, historical cost, acquisition date, useful life, depreciation, accumulated depreciation, and funding source.

The application of the modified approach to infrastructure requires determining if capital program expenditures are for preservation and maintenance or additions to the capacity of infrastructure. The Department currently has a sub-appropriation code in its general ledger system that tracks infrastructure additions so expenses can be coded correctly when they relate to infrastructure; however, this coding has been inconsistently applied.

During the current fiscal year, the Department has developed and implemented an "Infrastructure Project Classification Policy." As a result of the policy, all projects were reviewed for conformance with the policy. The review identified several projects that had elements of both additions to capacity of the infrastructure as well as preservation and maintenance.

Recommendation
We continue to recommend that the balances of capital asset infrastructure be centrally managed in a capital assets subsidiary ledger with the capability to track additions and dispositions and, when necessary, to calculate depreciation.

We further recommend that the Department refine the guidelines in the new "Infrastructure Project Classification Policy" to clearly establish the procedures for allocating project costs between capital assets and expenses. The policy should draw on guidance provided in GASB Statement No. 34 and the GASB Statement No. 34 Implementation Guide.

Agency Contact

Kathy S. English (302) 670-2688

Finding Status
Not corrected or partially corrected

Status
Working with current Capital Program management team to review and revise Infrastructure Project Classification Policy. This activity is consistent with the implementation needs of the ERP/Peoplesoft Financials System.

Anticipated Completion Date
January 2010

Finding Number: **2008-11**
Fiscal Year: **2007**
Related Prior Findings: **2007-5**
Current Year Findings: **2009-05**

Financial Reporting

Condition
Financial Reporting at DelDot
The Department has contracted for the past several years with an outside CPA firm to compile its financial statements for the Transportation Trust Fund, for the Delaware Transit Corporation, and for the consolidated Delaware Department of Transportation entity.

The process used to obtain the necessary information for balances outside of the Transportation Trust Fund is not clearly documented, does not occur on a clear timetable, and relies heavily on one individual to provide information requested by the contractor for compilation purposes. Financial statement items impacted include receivables, payables, and capital assets, including infrastructure assets.

Additionally, there is no independent review of the information for completeness, accuracy, and conformity with generally accepted accounting principles prior to its being provided to the contractor, increasing the risk of potential undetected misstatements, errors, or omissions.

Recommendation
We recommend that the Department develop, for the 2009 audit cycle:

- A detailed list of balances (other than those in the Transportation Trust Fund and Delaware Transit Corporation) and what detailed reports, supporting schedules, and other documentation are needed to support the compilation of financial statements and disclosures related to those balances.

- A specific timetable of when each of the detailed reports, supporting schedules, and other documentation will be completed.

- Interim review process to evaluate data before year-end to identify any issues and correct them before year-end close.

- A periodic monitoring process to ensure the timetable is adhered to.

We further recommend that the Department consider whether the current level of staffing is appropriate to:

- Disperse responsibility for specific reports, schedules and documentation to others within the accounting function.

- Provide for an independent review of information for completeness, accuracy and conformity with generally accepted accounting principles prior to its receipt by the compilation contractor.

Review data throughout the year for completeness and accuracy.

Agency Contact
Kathy S. English (302) 670-2688

Finding Status
Not corrected or partially corrected.

Status

This issues has been reviewed and partially corrected. Due to continued hiring freezes, the Department has not been in a position to provide additional FTE's to coordinate the activities. Although this has been a problem, we have been successful in acquiring part-time assistance from the DelDOT Audit Section. This person will assist with the gathering and compilation of data for the FY09 Single Audit. Currently, activities are working well.

Anticipated Completion Date

Further focus will continue on the detailed listing of balances. The reporting for FY09 has been modified and we believe that the updates to the process will improve the overall collection of information.

Finding Number:	**08-DTC-01**
Fiscal Year:	**2004**
Related Prior Findings:	**04-DTC-09, 05-DTC-05, 06-DTC-01, 07-DTC-01**
Current Year Findings:	**None**
Program:	**84.007, Student Financial Assistance Cluster**
	84.032,
	84.033,
	84.063

Condition
In the prior year, the State of Delaware Office of Auditor of Accounts engaged a third party to perform a general controls review of the Banner Application, which supports the Student Financial Assistance Cluster at Delaware Technical and Community College (the College). Of the weaknesses noted on the prior report, the following findings still were outstanding as of June 30, 2008:

Policies and procedures for Information Technology processes and controls supporting the Banner Application could be improved. While the College has an acceptable technology usage policy in place, and several written procedures (including change management communications and backup procedures), several key policies are absent -- including change management testing, user access administration, authentication/password policies, and policies governing monitoring security events and problem identification/resolution. While the IT Department has initiated efforts to improve and build on their policies, the College should develop the following policies and procedures: (1) change management testing, (2) user access administration, (3) authentication/password policies, (4) security event monitoring, (5) problem identification and resolution, (6) full policies on data back-up and recovery.

The implementation of a dedicated help-desk solution to support problem identification and resolution for Banner Application-related user issues could be useful. A help-desk solution would ensure that financial-aid-related user issues related to the Banner application do not go unresolved. The ideal solution should include a 24-hour/7-days-a-week knowledge base and be able to answer users' frequently asked questions.

Recommendation
We recommend that the College continue to implement the recommendations as detailed in the above-referenced report.

Agency Contact
Gerard M. McNesby, Vice President for Finance (302) 739-4057

Finding Status
Fully corrected

Status
IT Dept. Policies and Procedures- DTCC's immediate corrective actions as of 6/30/09:

1. A subcommittee of formal Policies and Procedures has been created and are tasked with the formalization of all IT related policies and procedures. Change management and user access administration policies are already under review by this subcommittee. A Change Management Policy and Change Management Communication Policy have been implemented.

2. A second subcommittee focusing on Identity Management has been created and is tasked with developing the processes and proposing policies that surround user authentication, system access, and

password policies. Banner Financial Aide user account access is now audited every 6 months as enforced by our user account access management policy.

3. Effective December 2008, the college has also deployed a new authentication model which no longer passes user credentials over the network. Central Authentication Services (CAS) now serves as the single entry point into the college's online applications. CAS enforces the password policies was have set inside our Active Directory system so that passwords must meet a minimum length and expire every 180 days. This is applied to all Bannerweb processes.

   The primary Banner application does not support expiration of passwords or support enforcing password complexity as it is delivered from the vendor. The College has strived to keep customizations to the Banner system to a minimum to ensure the seamless flow of upgrades and patches. Since the software vendor does not support password policies natively, we do not recommend implementing a customization to meet this recommendation.

4. Security event monitoring is logged by both systems log and error logs. These logs are reviewed by our systems administrator. Upon the review of these logs, corrective actions are taken.

5. Problem identification and resolution has been addressed by implementation of the information technology website which can be visited at http://diet.dtcc.edu. Links on this site include frequently asked questions, help desk information, and email contact links. The college also maintains a work order system which will allow staff members to report system problems to the appropriate personnel. This system tracks the progress made and resolutions to raised issues.

6. The College's Data Analysts maintain a desk reference of procedures followed for day-to-day operations of the Banner system. These references are available in hard copy and located at the desk of the Analysts who maintains them. Custom scripts and codes are centrally stored on a server with controlled access and archival systems ensuring the availability of the data. An additional policy has been created that outlines our backup and recovery procedures.

Dedicated Help-Desk Solutions- DTCC's immediate corrective actions as of 6/30/09:

The college's portal has a section under the "Help Center" tab which contains "frequently asked questions" that include a link for financial aid questions. In addition to the college's portal, the information technology department has implemented a website that offers information such as frequently asked questions, help desk information, and email contact links.

College Administration is in the process of reviewing the Application Help Desk operating procedures and its reporting structure. This helpdesk is charged with supporting faculty, staff, and students with questions about Banner and Bannerweb. The college supports the recommendation of tracking application helpdesk calls; however, currently there is no system in place to support this. A commercial product for logging help desk calls and providing online self support services like FAQ's, Knowledgebase, and opening support tickets is under review; however, no formal budget has been established for funding this product.

Open source products did not produce optimal results. As a result, the information technology website was augmented to include help desk solutions.

Finding Number:	**08-DTC-02**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**None**
Program:	**84.007, Student Financial Assistance Cluster**
	84.032,
	84.033,
	84.063

Condition

During our testwork over the eligibility of 40 students, we noted that one student was awarded a Stafford subsidized loan instead of a Stafford unsubsidized loan for $1,069 and one student was underawarded a Pell grant by $800. The total amount of financial aid awarded to the 40 students sampled was $128,193.

Recommendation

We recommend that the Campus review its policies and procedures to ensure that any new ISIRs get properly updated to student accounts as well as generate safeguards or other reports in the Banner system that would help identify any possible overawards (negative need) and return any excess funding, as necessary.

Agency Contact

Debra Troxler, Financial Aid Officer (302) 571-5380

Finding Status

Fully corrected.

Status

08-DTCC-02 Wilm SFA Cluster - ISIR Updates, Safeguards, and Other Banner Reports/Reconciliations:

A Delaware Tech (DTCC) Stafford loan student was awarded a loan for the fall/ spring semester, using a fall/spring budget. At that time the student was eligible to receive a subsidized loan if they had been enrolled in classes. The student did not attend the fall or spring semester, but did attend and request a loan for the summer semester. The loan budget was changed to reflect the summer semester, but the loan eligibility remained at the subsidized level which reflected spring/summer eligibility.

As an internal control measure, we are utilizing a new POPSEL query/report (Banner Population Selection of Students report) developed by/with DTCC technology staff. This POPSEL query/report allows DTCC to capture students that have negative need, but awarded a subsidized loan only.

A DTCC PELL award student was awarded/disbursed a federal PELL grant on transaction 02 EFC 3129. The student should have been awarded/disbursed a federal PELL grant on transaction 04 EFC 2333. During data-load all incoming ISIRs are locked. When a new ISIR is received, DTCC has to manually unlock the previous record so the new ISIR will load. The student record was not unlocked so when the student's award was calculated, it was based on the older (not the new/most recent) ISIR transaction.

As an internal control measure, DTCC is running a Banner POPSEL query/report that looks for ISIRs received after a student is packaged.

Finding Number:	**08-DTC-03**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**None**
Program:	**84.007, Student Financial Assistance Cluster** **84.032,** **84.033,** **84.063**

Condition
For one out of 40 students selected for verification testwork, it was determined that the Campus did not perform verification of the student's information included on the ISIR.

Recommendation
We recommend that the Campus review its policies and procedures to ensure that any new ISIRs being uploaded for students properly allow for new requests for verification.

Agency Contact
Debra Troxler, Financial Aid Officer (302) 571-5380

Finding Status
Fully corrected.

Status
08-DTCC-03 Wilm SFA Cluster - ISIR Student Upload and New Requests Verifications:

> On one sample student's first three ISIR transactions, the student was not selected for verification. A change was made to correct the student and parent's name, and at the time of the correction the tracking group was Student Excellence Equals Degree non-verify scholarship recipient (SEED - State of Delaware funded scholarship program). Once the fourth and final ISIR transaction for that student was returned to the College, the tracking group SEED non-verify was locked and the status was not updated. As a result, the system did not trigger a request for the verification form that was necessary to perform the verification process.
>
> As an internal control measure, DTCC is utilizing a new POPSEL query/report (Banner Population Selection of Students report) developed by/with DTCC technology staff. This POPSEL query/report captures students that need their tracking group changed, based on a new ISIR transaction being loaded into Banner.

Finding Number:	**08-DTC-04**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**None**
Program:	**84.042, TRIO Cluster** **84.044,** **84.047**

Condition

Based on a sample of eight payroll expenditures totaling $14,019, two Student Support Services (SSS) expenditures totaling $6,623 had completed time and effort reports, but they were not signed by the employee or their supervisor. In addition, one Upward Bound (UB) expenditure totaling $2,457 had a time and effort report that supported the employee's 50% effort to the program, but did not account for 100% of the employee's total activities.

Recommendation

We recommend that the College's Terry Campus reinforce the need to have proper signatures on the employees' time and effort reports and ensure that 100% of each employee's activities are properly documented on those reports.

Agency Contact

TRIO program managers:

Rebecca Craft (Student Support Services Program)	(302) 857-1033
Florence Pipes (Upward Bound Program)	(302) 857-1418

Finding Status

Fully Corrected.

Status

Student Support Services Program:

Monthly certification reports were completed as required by federal regulations; however, the Program Manager's time and effort certifications (program manager working solely on this federal program for the periods covered/reported) were not signed off by the Dean of Students (program manager's direct supervisor). Time and effort reports for counseling and administrative staff were completed ensuring that 100% of each employee's activities were properly documented and approved by Program Manager as required.

Program Manager monthly time and effort certification reports are provided to the Dean of Students for signature by the 5th day of the month following the month for which the report is due. In addition, Policy and Procedures Manual (revision) outlines the time and effort process for all staff including the Program Manager for future reference.

Upward Bound Program:

The time and effort certification reports were completed as required by federal regulations for all program employees working solely on this federal program for the periods covered/reported. However, one program employee was working on multiple program activities yet the personnel activity reports for this employee only reflected 50% of their time worked on behalf of the Upward Bound program. The distribution and charges for this employee's wages were for eligible activities and properly charged to eligible program funding lines (Upward Bound and non-Upward Bound) based on actual activities for covered periods.

Time and effort reports for counseling and administrative staff are now completed ensuring that 100% of each employee's activities are properly documented and approved by Program Manager(s), including time and effort activities reporting, review and approval by other direct supervisor(s)/manager(s) for portions of non-Upward Bound activities during covered periods.

Monthly reports are signed by each employee and provided to the Upward Bound Program Manager and other direct supervisors for non-Upward Bound activities (e.g. Director of Corporate & Community Programs) ensuring accounting for 100% of time/activities for signature by the 5th day of the month following the month for which the reports are due. In addition, Policy and Procedures Manual (revision) outlines the time and effort process for all staff including the Program Manager ensuring 100% activities accounting for future reference.

Finding Number:	**08-DTC-05**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**None**
Program:	**84.042, TRIO Cluster**
	84.044,
	84.047

Condition

Based on a sample of 40 participants across both TRIO programs, it was noted that six of the 20 SSS participants' eligibility worksheets were not signed off the by SSS program manager in accordance with campus' policy. In addition, it was noted that 13 of the 20 applications for Upward Bound did not include the disclosure of whether the applicant is a citizen, national, or permanent resident of the United States.

Recommendation

We recommend the College's Terry Campus ensure that SSS participant's eligibility worksheets are reviewed and approved by the program manager and that the U.S. citizenship disclosure gets reinstated on all UB applications.

Agency Contact

TRIO program managers:
Rebecca Craft (Student Support Services Program) (302) 857-1033
Florence Pipes (Upward Bound Program) (302) 857-1418

Finding Status

Fully Corrected.

Status

Student Support Services Program:

Although properly prepared, some student participant files omitted the program manager's approval as required.

As an internal control measure, the Program Manager will review all student files on a weekly basis and ensure sign off on all new student eligibility forms as required. In addition, Policy and Procedures Manual (revision) outlines the internal control review and eligibility approval steps of the Program Manager.

Upward Bound Program:

Although otherwise properly prepared and ensuring individual applicants met all program requirements (and inclusive of United States residency status requirement for a portion of the population sampled), some Upward Bound applications inadvertently excluded the residency/citizenship disclosure line necessary to determine eligibility to participate based on the requirement that the applicant be a citizen, national, or permanent resident of the United States or in the United States for other than a temporary purpose.

As an internal control measure and eligibility requirement, DTCC immediately ensured reinstatement of the United States citizenship/residency disclosure line of the Upward Bound Program application form.

Finding Number:	**08-ED-01**
Fiscal Year:	**2005**
Related Prior Findings:	**05-ED-03, 06-ED-01, 07-ED-01**
Current Year Findings:	**None**
Program:	**84.287 Twenty-First Century Community Learning Centers**

Condition
While the State Department of Education (DOE) has continued to strengthen its monitoring of its subrecipients, there was no specific guidance incorporated into the DOE's policies and procedures which substantiates funding its subrecipients on an installment basis, rather than a reimbursement basis. In addition, if the DOE is able to confirm that the installment basis is an acceptable basis for funding, then the DOE also needs to ensure it has specific policies and procedures in place to track the amount of unobligated funds provided to its subrecipients and minimize the time between any subrecipient advances and the subsequent disbursements.

The total amount of expenditures passed through to subrecipients was $3,238,440 for the year ended June 30, 2008. Total expenditures for the program as a whole were $4,176,198.

Recommendation
We recommend that the DOE confirm that an installment basis is an acceptable method for funding its subrecipients and that such confirmation be incorporated into its policies and procedures. In addition, if the installment basis is in accordance with Federal guidelines, the State DOE should develop a policy and procedure to track and monitor such funding so unobligated funds can be properly identified and minimize the time between the advances to subrecipients and the subrecipients subsequent disbursements.

Agency Contact
Theresa Vendrzyk Kough (302) 739-4269

Finding Status
Fully Corrected.

Status
Installment method was found by USDOE to be an acceptable method for funding its subrecipients and this confirmation has been incorporated into its policies and procedures.

Finding Number:	**08-ED-02**
Fiscal Year:	**2005**
Related Prior Findings:	**05-ED-05, 06-ED-03, 07-ED-02**
Current Year Findings:	**None**
Program:	**84.048 Career and Technical Education – Basic Grants to States**
	84.027, Special Education Cluster (IDEA)
	84.173
	84.357 Reading First State Grants
	84.367 Improving Teacher Quality State Grants

Condition

Twenty-six payroll expenditures were tested at the State Department of Education, consisting of thirteen Career and Technical Educational expenditures, four Special Education expenditures and nine Reading First expenditures. While time and effort reports were present for each of the employees selected, four time and effort reports were not signed by the employee and/or their supervisor within 90 days of the end of the pay cycle end date being allocated and another fourteen time and effort reports did not indicate a date when they were signed.

In addition, as noted in a prior year finding, the State Department of Education was still in the process of developing procedures to make adjustments (quarterly or annually), as necessary, to payroll costs charged to federal awards in order to reflect the activity actually performed by their employees. DOE did have procedures in place that require employees to complete periodic time and effort certifications as required by OMB A-87; however, the costs charged to federal awards were based on budgeted amounts programmed through the State-wide payroll system. It was not until Fiscal Year 2009 that the DOE established a procedure to effectively adjust budgeted amounts to actual activity.

Recommendation

We recommend that DOE reinforce its policies and procedures to provide more timely reviews of time and effort certifications. We also recommend that DOE ensure that payroll charges reflect actual costs and accordingly, periodically adjust its payroll charges to federal awards based on the actual activity performed, as supported by the time and effort certifications.

Agency Contact

Tammy Korosec (302) 735-4045

Finding Status

Fully corrected.

Status

The time and effort policy and procedures have been updated as well as the reporting mechanism to provide better reporting of time and effort for reconciliation purposes.

Finding Number:	**08-ED-03**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**09-ED-01**
Program:	**84.010 Title I Grants to Local Educational Agencies** **84.048 Career and Technical Education – Basic Grants to States** **84.027 Special Education Cluster (IDEA)** **84.173** **84.357 Reading First State Grants** **84.367 Improving Teacher Quality State Grants** **84.287 Twenty-First Century Community Learning Centers**

Condition

The DOE has provided the school districts with a template for determining their indirect cost rates. While the template properly excludes the compensation of the chief executive officer (the superintendent), there is no evidence that the operation of the immediate offices of that officer (direct reports) are being properly excluded from general management costs.

Recommendation

We recommend that the DOE review its indirect cost rate template and ensure that all unallowable costs have been properly captured by the school districts and make adjustments to the template or its indirect cost rate instructions, as necessary.

Agency Contact

Tammy Korosec (302) 735-4045

Finding Status

Action taken different than original corrective action.

Status

This audit finding was a result of a USDOE monitoring report. We are currently in negotiations with USDOE to meet their needs and to comply with OMB Circular A-87. DEDOE has contracted with "Maxiumus" to develop the new template that is currently under review.

USDOE will be performing a site monitoring visit on March 15' 2010. At that time we will be reviewing the issues surrounding the template and bringing resolution to this matter.

Anticipated Completion Date

June 30, 2010

Finding Number:	**08-ED-04**
Fiscal Year:	**2006**
Related Prior Findings:	**06-ED-11, 07-ED-04**
Current Year Findings:	**09-ED-02**
Program:	**84.010 Title I Grants to Local Educational Agencies**
	84.048 Career and Technical Education – Basic Grants to States
	84.027 Special Education Cluster (IDEA)
	84.173
	84.357 Reading First State Grants
	84.367 Improving Teacher Quality State Grants

Condition

Appoquinimink School District

Based on a sample of 13 payroll expenditures totaling $5,066, four employees charged to Special Education totaling $3,029 were missing time and effort reports. Total salaries and benefits charged by the Appoquinimink School District to the Special Education program amounted to $582,626.

Brandywine School District

Based on a sample of 30 payroll expenditures totaling $44,670, 10 employees totaling $14,593 were missing time and effort reports. In addition, five employees totaling $12,804 charged 100% of their time to the Special Education program based only on a 100% annual roster, rather than a semi-annual certification. Another 13 employees totaling $14,028 were charged to federal programs, but either did not account for 100% of their activities on their time and effort report or their time and effort reports were signed more than 3 months after the payroll period. Total salaries and benefits charged by the Brandywine School District to the above major federal programs amounted to $5,848,447.

Cape Henlopen School District

Based on a sample of eight payroll expenditures totaling $11,314, one employee totaling $1,139 charged to the Title I program was missing a time and effort report. Total salaries and benefits charged by the Cape Henlopen School District to the Title I program amounted to $963,800.

Christina School District

Based on a sample of 42 payroll expenditures totaling $98,178, one employee with two charges totaling $5,107 was erroneously being charged to the Reading First State Grants program instead of the Improving Teacher Quality State Grants program. Total salaries and benefits charged by the Christina School District to the Reading First Grants program amounted to $266,888.

Red Clay

Based on a sample of 70 payroll expenditures totaling $81,292, thirteen employee charges for the Improving Teacher Quality program were, in the aggregate, $5,682 less than the percentages indicated on their signed time and effort reports. Total salaries and benefits charged by the Red Clay School District to the Improving Teacher Quality program amounted to $1,341,734.

Recommendation

We recommend that the above School Districts maintain personnel activity reports (time and effort reports) for all employees who work on multiple programs or obtain semi-annual certifications for employees that have been solely engaged in activities supported by one funding source. These time and effort reports should only be signed to reflect actual effort expended on each respective program.

Agency Contact

Chuck Longfellow-Appoquinimink School District	(302) 376-4126
David Blowman-Brandywine School District	(302) 793-5045
Oliver Gumbs-Cape Henlopen School District	(302) 645-6686
Robert Silber-Christina School District	(302) 552-2614
Jill Floore-Red Clay School District	(302) 552-3725

Finding Status
Partially corrected.

Status
All districts have worked to revise their procedures to be in line with the new DEDOE Time and effort reporting policy and procedures.

Anticipated Completion Date
June 30, 2009

Finding Number: **08-ED-05**
Fiscal Year: **2007**
Related Prior Findings: **07-ED-06**
Current Year Findings: **09-ED-03**
Program: **84.010 Title I Grants to Local Educational Agencies**

Condition
The School District did not obtain a formal positive confirmation from the State Department of Education to consolidate its administrative funds. In addition, the Career and Technical Education – Basic Grants to States program (CFDA 84.048) was being included as part of the consolidated administrative funds until February of 2008, even though that program is not a covered program for consolidation.

Recommendation
We recommend that the District obtain a formal positive confirmation from the State Department of Education to consolidate its federal administrative funds and ensure that such funds consist only of covered programs for consolidation.

Agency Contact
Robert Silber (302) 552-2614

Finding Status
Partially Corrected.

Status
Consolidation of Administrative Funds was done for Federal appropriations (Title I, II, and IV), which is permitted by regulation. The District received initial approval of the Consolidated Grant during October 2008, and final approval by the Secretary of Education during December 2008. We continued to seek the requisite formal letter of approval from DDOE for the consolidation of Administrative Funds. The District received this letter (email dated April 23, 2009) from DDOE indicating that the request for consolidation of administrative funds for Titles I, II, and IV was approved retroactive to the date of grant award notice.

Anticipated Completion Date
Done

Finding Number: **08-ED-06**
Fiscal Year: **2008**
Related Prior Findings: **None**
Current Year Findings: **None**
Program: **84.010 Title I Grants to Local Educational Agencies**

Condition

For five out of the 25 students selected for eligibility testwork, there were no files or other information available to support how the District determined that those students were eligible to receive Title I funds.

Recommendation

We recommend that the District develop procedures to ensure that files are maintained to verify the eligibility of each student who receives Title I, Part A services.

Agency Contact

Chuck Longfellow (302) 376-4126

Finding Status

No longer warranting further action.

Status

All Appoquinimk Title I programs are school-wide beginning 7/1/09.

Finding Number: **08-ED-07**
Fiscal Year: **2008**
Related Prior Findings: **None**
Current Year Findings: **09-ED-06**
Program: **84.010 Title I Grants to Local Educational Agencies**

Condition

<u>*Brandywine School District*</u>
We noted that the third and fifth elements in b. above were not included in one of the two Schoolwide plans we reviewed. The District had seven Schoolwide programs during the year ended June 30, 2008.

<u>*Cape Henlopen School District*</u>
We noted that the third and fifth elements in b. above were not included in one of the two Schoolwide plans we reviewed. We also noted that the fifth element in b. above was not included in the other Schoolwide plan we reviewed. The District had four Schoolwide programs during the year ended June 30, 2008.

Recommendation

We recommend that the Districts develop procedures to ensure each Schoolwide plan incorporates all necessary components listed in the Federal regulations.

Agency Contact

Lynn Linscott-Brandywine School District	(302) 793-5014
Oliver Gumbs-Cape Henlopen School District	(302) 645-6686

Finding Status

Not corrected or partially corrected.

Status

Cape Henlopen is in the process of working with the schools to include the necessary information.

Anticipated Completion Date

September 2009

Finding Number:	**08-ED-08**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**09-ED-12**
Program:	**10.553, Child Nutrition Cluster**
	10.555,
	10.556,
	10.559

Condition

The District's Child Nutrition program does not have adequate internal controls including management review and segregation of duties. A lack of sufficient internal controls within the District's Child Nutrition program resulted in a net loss of $5,498.39.

We determined that the Supervisor had access to the Child Nutrition bank account including a debit card for the account. We reviewed activity in the account for the period of July 1, 2007 through October 15, 2008 and found the following:

- The Director made $4,048.85 in personal purchases.
- Transactions totaling $5,062.33 lacked sufficient supporting documentation. After reviewing the vendor names, type of purchases, and discussing with CSD representatives, AOA determined that purchases totaling $3,614.64 were not for the benefit of the Child Nutrition Program.
- Computer equipment was purchased with Child Nutrition funds. The District was unable to locate the Director's laptop and other computer related equipment totaling $2,151.25.
- The Secretary for the Child Nutrition program indicated that the Director wrote 7 personal checks to CSD as reimbursement for his personal expenses. However, the Secretary was only able to produce documentation supporting 4 of the checks. CSD did not have support for 3 checks totaling $497.17. The 4 reimbursements reviewed, totaling $4,316.35, were all made in October 2008.
- Funds in the bank account reviewed included both local school district and federal funds received by the State of Delaware under the Child Nutrition Cluster program. We were unable to determine the portion of the unauthorized expenditures or the net loss to the District that is related to federal or local funds, since the monies within this account are commingled, and expenditures from the account are not marked as to source of funding.

Recommendation

The District should strengthen internal controls. The following should be considered in order to strengthen controls:

- Monthly bank reconciliations should be performed outside of the Child Nutrition Office.
- Provide additional management oversight for all Child Nutrition operations.

The District should adhere to established policies and procedures to ensure that transactions are appropriately approved in accordance with State and District policy and that appropriate supporting documentation is maintained with all processed transactions.

In addition, the District should require repayment from the Director for the remaining net loss ($5,498.39).

Agency Contact

Robert Silber (302) 552-2614

Finding Status
Not corrected or partially corrected.

Status
The District will require the repayment of $5,498.39 from the Supervisor (referred to above as Director) of Child Nutrition Services.

The Christina School District has taken steps to tighten the internal controls over Child Nutrition Services. On a monthly basis the Business Office will:

- Review bank statements prior to reconciliation and identify items requiring support documentation.
- Review the bank reconciliations.
- Review Fuelman Account.
- Review use of Debit Card, to assure usage is limited to emergency purchases or purchases with preapproval documentation.

Additionally, the District Business Office will review the monthly profit and loss statement of Child Nutrition Services and review performance against budget.

Anticipated Completion Date
Employee who violated existing District Policies is on Administrative Leave without pay. He has requested a termination hearing, which was placed on hold pending the outcome of the investigation by the Attorney General's Office. We have been informed by the prosecutor that the employee has accepted a plea agreement, which includes agreement for full restitution. The plea agreement is in the process of execution, with the latest delay caused by the health of the employee's attorney. Once the pleas agreement has been executed, the District can move forward to recommend termination to the School Board. Upon termination, the employee will be paid for earned and unpaid vacation and sick leave. The District will reduce the amount paid to the employee by the amount necessary to receive full restitution.

Finding Number:	**08-DHSS-01**
Fiscal Year:	**2007**
Related Prior Findings:	**07-DHSS-01**
Current Year Findings:	**None**
Program:	**10.551, Food Stamp Cluster**
	10.561
	66.468 Capitalization Grants for Drinking Water State Revolving Funds
	93.044, Aging Cluster
	93.045,
	93.053
	93.268 Immunization Grants
	93.283 Centers for Disease Control and Prevention, Investigations, and Technical Assistance
	93.563 Child Support Enforcement
	93.558 Temporary Assistance For Needy Families
	93.959 Block Grants for Prevention and Treatment of Substance Abuse
	93.568 Low Income Home Energy Assistance Program
	93.596 Child Care Cluster
	93.667 Social Services Block Grant
	93.767 State Children's Health Insurance Program
	93.775, Medical Assistance Cluster
	93.777,
	93.778
	93.917 HIV Care Formula Grants

Condition
For five of the 13 drawdowns selected for testing, we noted that the amount of the drawdown did not agree to supporting documentation from the State's general ledger, Delaware Financial Management System (DFMS). We noted in certain cases the drawdown request exceeded the supporting expenditure amounts in DFMS.

Recommendation
We recommend that the Department enhance its policies and procedures for drawing down federal funds in order to ensure they are in compliance with the terms of the Agreement.

Agency Contact
Robert Bubacz (302) 255-9247

Finding Status
Fully corrected.

Status
DMS-Grants began using actual screen prints of current DFMS expenditures by appropriation for the weekly drawdowns as supporting documentation and not relying on the Daily Validity report in March 2009. A revised procedures manual has been developed and is being used for the current process.

Finding Number:	**08-DHSS-02**
Fiscal Year:	**2007**
Related Prior Findings:	**07-DHSS-02**
Current Year Findings:	**09-DHSS-01**
Program:	**10.551, Food Stamp Cluster**
	10.561
	93.558 Temporary Assistance For Needy Families
	93.596 Child Care Cluster
	93.667 Social Services Block Grant
	93.767 State Children's Health Insurance Program
	93.775, Medical Assistance Cluster
	93.777,
	93.778

Condition

The Department did not follow its cost allocation plan when charging costs related to DMMA. The PACAP plan designates DMMA costs to be charged directly to the Medicaid program or through the indirect charge method across all DMMA programs. However, the Department was incorrectly allocating the DMMA related costs among the DSS programs.

Recommendation

We recommend the State ensures its general ledger, Delaware Financial Management System (DFMS), is properly configured to allocate costs out of the cost pool in accordance with its approved PACAP plan. We also recommend that the PACAP plan be revised to reflect an allocation of costs to federal programs based on the true effort being provided to those federal programs. The State should also implement procedures to perform a review of the costs being allocated out of the cost pool to ensure it is being allocated in accordance with the approved PACAP.

Agency Contact

Robert Bubacz (302) 255-9247

Finding Status

Not corrected or partially corrected.

Status

DHSS is still awaiting final approval from our federal agency for the restatement of the 2007 and 2008 federal reports. These revisions have been submitted for review and approval. DHSS continues to seek a resolution to these cost allocation concerns through the PeopleSoft Accounting system that will be implemented in Fiscal Year 2011.

Anticipated Completion Date

July 2010

Finding Number: 08-DHSS-03
Fiscal Year: 2007
Related Prior Findings: 07-DPH-05
Current Year Findings: 09-DHSS-02
Program: 93.044, Aging Cluster
93.045,
93.053
93.283 Centers for Disease Control and Prevention, Investigations, and Technical Assistance
93.959 Block Grants for Prevention and Treatment of Substance Abuse
93.667 Social Services Block Grant

Condition
The State uses a standard boiler plate contract to ensure adherence to the suspension and debarment requirements discussed above. However, the suspension and debarment clause in the boiler plate contract covers procurement expenditures for goods or services equal to or in excess of $100,000 instead of the $25,000 that is required for all contracts entered into after November 26, 2003 per the regulations above.

The following table details the total expenditures incurred during Fiscal Year 2008 related to vendor contracts entered into below the $100,000 threshold, but above the $25,000 threshold, and the amount of those expenditures included in the testing during 2008.

Federal Program	**Vendor contracts below $100,000 but above $25,000**	**Amount included in 2008 testing**
Aging Cluster	$ 683,135	$ 68,034
Centers for Disease Control and Prevention, Investigations, and Technical Assistance	1,003,548	30,000
Block Grants for Prevention and Treatment of Substance Abuse	534,719	126,190
Social Services Block Grant	1,057,331	221,221
Totals	**$3,278,733**	**$ 445,445**

Recommendation
We recommend the State change its boilerplate contract to ensure that all procurements with federal funds are in compliance with federal procurement, suspension, and debarment requirements.

Agency Contact
Robert Bubacz (302) 255-9247

Finding Status
Partially corrected.

Status
The standard boiler plate contract was revised and includes the federal regulations concerning suspension and debarment. DHSS has taken the following corrective action to address the concerns of this finding. A new boilerplate containing the recommended revisions was implemented in October 2008.

Anticipated Completion Date
As contracts expire.

Finding Number: 08-DHSS-04
Fiscal Year: 2008
Related Prior Findings: None
Current Year Findings: 09-DHSS-03
Program: 10.551, Food Stamp Cluster
10.561
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
66.468 Capitalization Grants for Drinking Water State Revolving Funds
93.268 Immunization Grants
93.563 Child Support Enforcement
93.558 Temporary Assistance For Needy Families
93.568 Low Income Home Energy Assistance
93.596 Child Care Cluster
93.767 State Children's Health Insurance Program
93.775, Medical Assistance Cluster
93.777,
93.778
93.917 HIV Care Formula Grants

Condition

The State uses a standard boilerplate contract to ensure adherence to the suspension and debarment requirements discussed above. However, the suspension and debarment clause in the boiler plate contract covers procurement expenditures for goods or services equal to or in excess of $100,000 instead of the $25,000 that is required for all contracts entered into after November 26, 2003 per the regulations above.

The following table details the total expenditures incurred during Fiscal Year 2008 related to vendor contracts entered into below the $100,000 threshold, but above the $25,000 threshold, and the amount of those expenditures included in the testing during 2008.

Federal Program	Vendor contracts below $100,000 but above $25,000	Amount included in 2008 testing
Food Stamp Cluster	$ 96,338	$ -
Special Supplemental Nutrition Program for Women, Infants, and Children	351,458	54,494
Capitalization Grants for Drinking Water State Revolving Funds	281,584	61,253
Immunization Grants	119,392	27,095
Child Support Enforcement	430,328	-
Temporary Assistance For Needy Families	143,622	69,651
Low Income Home Energy Assistance	77,050	-
Child Care Cluster	92,021	-
State Children's Health Insurance Program	33,023	-
Medical Assistance Cluster	347,823	-
HIV Care Formula Grants	163,064	-
Totals	**$2,135,703**	**$ 212,493**

Recommendation
We recommend the State change its boiler plate contract to ensure that all procurements with federal funds are in compliance with federal procurement, suspension, and debarment requirements.

Agency Contact
Robert Bubacz (302) 255-9247

Finding Status
Partially corrected.

Status
The standard boiler plate contract was revised and includes the federal regulations concerning suspension and debarment. DHSS has taken the following corrective action to address the concerns of this finding. A new boilerplate containing the recommended revisions was implemented in October 2008.

Anticipated Completion Date
As contracts expire.

Finding Number:	**08-DHSS-05**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**None**
Program:	**93.775, Medical Assistance Cluster**
	93.777,
	93.778

Condition
Two of 40 intrastate transactions selected for testwork, totaling $69,395, were not signed by two authorized signers, as required by Department policies and the State *Budget and Accounting Manual*. The total dollar value of the 40 transactions tested was $7,248,984. We noted that all 40 of these transactions were for allowable expenditures.

Recommendation
We recommend DMMA ensure it follows its established policies and procedures to ensure that intrastate vouchers are appropriately approved in accordance with State and agency policy and that appropriate supporting documentation is maintained with all processed transactions.

Agency Contact
Robert Bubacz (302) 255-9247

Finding Status
Fully corrected.

Status
Two signatures will be obtained for all IV documents and DHSS will ensure that staff follow established policies and procedures for Intergovernmental Vouchers.

Finding Number: **08-DHSS-06**
Fiscal Year: **2007**
Related Prior Findings: **07-DSS-02**
Current Year Findings: **09-DHSS-04**
Program: **93.596 Child Care Cluster**
93.558 Temporary Assistance for Needy Families

Condition
<u>*Child Care Cluster*</u>
The Division was not able to provide supporting documentation from the Delaware Financial Management System (DFMS) to support the amounts reported in the ACF 696 for the quarters ended September 30, 2007 and June 30, 2008 for grant expenditures made during Fiscal Year 2008. The unsupported amount for the ACF 696 reports totaled \$118,886. In addition, due to the lack of supporting documentation for the amounts presented on these reports, we were not able to test compliance with the matching, level of effort and earmarking requirements.

<u>*Temporary Assistance for Needy Families*</u>
The Division was not able to provide supporting documentation from DFMS to support the amounts reported in the ACF 196 for grant year 2008, 2007, 2006 and 2005 expenditures made during fiscal year 2008. The unsupported amount for the ACF 196 reports totaled \$24,406,585. In addition, due to the lack of supporting documentation for the amounts presented on these reports, we were not able to test compliance with the level of effort and earmarking requirements.

Recommendation
We recommend that management maintain copies of supporting documentation for all reports required by the grant.

Agency Contact
Robert Bubacz (302) 255-9247

Finding Status
Not corrected or partially corrected.

Status
DHSS has implemented changes in July 2008 which will more accurately track TANF and CCDF expenditures using reporting categories and improved spreadsheets which will provide the needed supporting documentation for current year reports. DHSS continues to seek a resolution to these cost allocation concerns through the PeopleSoft Accounting system that will be implemented in Fiscal Year 2011.

Anticipated Completion Date
July 2010

Finding Number: **08-DHSS-07**
Fiscal Year: **2006**
Related Prior Findings: **06-DPH-09, 07-DPH-03**
Current Year Findings: **None**
Program: **93.283 Centers for Disease Control and Prevention, Investigations, and Technical Assistance**

Condition

During Fiscal Year 2008, $35,300 in federal funds were expended in Public Health Preparedness Section (PHPS) construction projects for which the contractor did not contemporaneously submit certified payroll records to the State. The projects were 100% federally funded.

Although the PHPS was aware that the federal prevailing wage rates applied and the contractor was so informed, the PHPS did not have policies and procedures in place to require submission of and monitor certified payrolls.

Recommendation

Because the State Department of Labor, Division of Labor Law Enforcement does not have responsibility for oversight of Federal construction projects, we recommend that the PHPS develop policies and procedures related to Federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at the Department level.

Agency Contact

Michael Bundek (302) 255-9278

Finding Status

Fully corrected.

Status

Procedure has been developed and responsibility to review the submitted payrolls has been assigned to the Capital Program Administrator. All payrolls submitted for Fiscal Year 2009 will be reviewed.

Finding Number:	**08-AGI-01**
Fiscal Year:	**2002**
Related Prior Findings:	**02-AGI-01, 02-DHSS-01, 03-AGI-01, 04-AGI-01, 05-AGI-01, 06-AGI-01, 07-AGI-01**
Current Year Findings:	**09-AGI-01**
Program:	**93.044, Aging Cluster** **93.045,** **93.053** **93.667 Social Services Block Grant**

Condition
Employees who are 100% charged to the Aging Cluster complete semi-annual certifications in accordance with OMB Circular A-87. For employees who work on multiple cost objectives, the Division of Services for the Aging and Adults with Physical Disabilities (DSAAPD) has not yet developed a system to accurately allocate costs based on actual effort.

Recommendation
We recommend that the DSAAPD continue development of procedures to allocate salaries based on time studies performed in accordance with its Summary Status of Prior Year Findings.

Agency Contact
Albert Griffith (302) 255-9355

Finding Status
Not corrected or partially corrected.

Status
Listed below are tasks that have been accomplished to date:

An updated cost allocation plan was developed.
Time Study forms were revised to meet the current requirements.
Training was provided to the majority of staff members.
A FAQ sheet is being developed to assist with ongoing questions.

The April – June 2009 quarter was the first quarter to utilize the new time study forms and they are currently being evaluated to develop an understanding of additional changes that might be necessary to achieve a solution to this issue. Also, DSAAPD has begun making changes to employee's funding to match effort reporting. DSAAPD expects to have employee funding closely mirror effort reporting by January 2010.

Anticipated Completion Date
January 1, 2010

Finding Number:	**08-AGI-02**
Fiscal Year:	**2007**
Related Prior Findings:	**07-AGI-02**
Current Year Findings:	**None**
Program:	**93.044, Aging Cluster**
	93.045,
	93.053

Condition

Subrecipients with expenditures less than $500,000 do not receive an audit according to OMB Circular A-133. For 23 of the 24 planned subrecipient monitoring visits, we noted that management was not performing site visits to ensure that program requirements were being followed; including program income being reported by these subrecipients was correct or complete. Thus, we were unable to determine that program income for these entities was being applied to the program according to the applicable federal requirements. Only one monitoring site visit out of 24 planned subrecipient monitoring visits was completed during Fiscal Year 2008. During Fiscal Year 2008, the latest available OMB Circular A-133 reports were not obtained from all the subrecipients or in the case for subrecipients that expend less than $500,000 in federal awards, a certification that no A-133 report is required.

Recommendation

We recommend DSAAPD perform monitoring site visits and obtain the latest available OMB Circular A-133 reports or certifications that an A-133 report is not required from subrecipients to ensure their compliance with federal regulations. We also recommend that management implement procedures during its site visits to review controls in place at the subrecipient level over collecting, tracking and reporting program income and that DSAAPD consider verifying the program income reported by subrecipients on quarterly reports submitted to DSAAPD against supporting documents during its site visits.

Agency Contact

Albert Griffith (302) 255-9355

Finding Status

Fully corrected.

Status

DSAAPD now performs the monitoring site visit in conjunction with obtaining the latest available OMB Circular A-133 report for Delaware's providers. DSAAPD has also begun to develop additional procedures to increase monitoring of program income.

Finding Number:	**08-CSE-01**
Fiscal Year:	**2004**
Related Prior Findings:	**04-CSE-01, 05-CSE-01, 06-CSE-01, 04-CSE-02, 05-CSE-02, 06-CSE-02, 07-CSE-01**
Current Year Findings:	**09-CSE-01**
Program:	**93.563 Child Support Enforcement**

Condition

In prior years, it was recommended that DCSE establish appropriate steps to review worklists generated by the Delaware Automated Child Support Enforcement System (DACSES) computer system to determine cases requiring action in order to provide adequate lead time for employees to complete actions necessary to comply with time requirements. It was also recommended that DCSE enhance DACSES to include documentation regarding:

- Documentation of health insurance coverage obtained by the custodial parent,
- Confirmation of health insurance available (or unavailable) at a reasonable cost by the non-custodial parent, and
- Additional enforcement action taken to obtain available reasonable-cost health insurance.

It was further recommended that DCSE replace DACSES with a computer system that could better facilitate establishment of paternity, support and medical support obligations. It is also noted DCSE should ensure evidence of appropriate documentation of programmer access or change control for programmers be maintained in the new computer system.

DCSE continues to work toward implementation of these recommendations. However, per DCSE's Summary Status of Prior Year Findings, recommendations were only partially implemented as of June 30, 2008.

In the current year, one out of 60 cases selected for testwork had no record of attempt to establish paternity and two out of 60 cases selected for testwork had no support for enforcement of support obligations.

Recommendation

We recommend that management continue with its corrective action plan including the following initiatives:

- Work list management initiative
- Training initiative
- Redistribution of caseloads
- Division of Child Support Enforcement/Division of Social Services interface
- New post-court DACSES screen
- National medical support notice
- New DACSES system

Agency Contact

Theodore Mermigos and Midge Holland (302) 395-6520

Finding Status

Not corrected or partially corrected.

Status

Work list management initiative *(Partially corrected see phases below)*

Phase I: Eliminate the creation of duplicate worklist items.
Completed -September 5, 2004

Phase II: Consolidation of the creation of the worklist items, including a new hierarchy of the worklist items.
Completed April 17, 2005

Phase III: Will adjust the processing and timing of interstate related cases and remove the isolated absent parent locate function (APLS), giving that function to all caseworkers.
Completed -June 20, 2007

Phase IV: All processes and worklists should allow cases to be worked until eventual completion without the indefinite suspension of any case minus some form of notification or processing by an automated function. The second goal of this phase requires an analysis of the priority schemes applied to Worklist items.
Anticipated completion date: June 2010

Phase V: Evaluation
Completion of the total Worklist Management initiative is projected for December 2010 (significant amount of time is required for data cleanup as this is the final phase).

Training initiative

DACSES Worklist Management training was conducted statewide with division employees. In accordance with this recommendation, the training was part of the ongoing worklist management initiative to assist DCSE staff with better manage of their overall caseload and in accordance with Federal case processing guidelines.

The training was developed to enable staff to be able to navigate and manage a worklist utilizing the new functionalities in the Worklist Management screen. Worklist Management training will continue on a regular basis to DCSE employee.

Completed- June 9, 2006, June 21, 2006, this on going process as the DCSE Training unit offers open computer lab for staff to fine tune worklist management study.

Redistribution of caseloads *(No longer warranting further action)*

DCSE will redistribute caseloads so that staff is responsible for specific tasks on multiple types of cases. To do this, Child Support Specialists (CSS) will be placed into two primary functional categories: Establishment Workers and Enforcement Workers. Establishment Workers will be responsible for a case from the time of application/intake until the time a support order is established. Among their primary duties (in addition to establishing an order) will be parent locate and paternity establishment. Enforcement Workers will be responsible for a case from the time the order is recorded until the case is closed, taking all required enforcement and modification action necessary to properly work the case.

There will two exceptions to the Caseload Redistribution initiative. Dedicated workers will handle Foster Care cases and cases in which the Non-Custodial Parent resides out of state (known as APO cases), from intake to case closure. A statewide Foster Care Unit will be established in New Castle County, while APO workers will be deployed in each county.

Mandatory training that covers all aspects of case processing remains in development and will be provided to all Child Support Specialists prior to the redistribution of cases.

Completed - January 22, 2008

Division of Child Support Enforcement/Division of Social Services interface *(Partially corrected)*

Our automatic interface of medical insurance information with the Division of Social Services /Medicaid began May 16, 2008. DCSE staff no longer needs to send paper copies of our DCSE medical questionnaire to the Medicaid office, as information entered into DACSES is sent via the interface once a month. Effective October 2008, DACSES now enters a notation on the case events screens when information is sent via the interface. The entry will appear for all cases sent to Medicaid, starting with May 2008 data.

Completed –October 2008

The DSS interface will be reengineered with the implementation of the new DACSS system scheduled for completion in 2012.

New post-court DACSES screen (*action taken different than original corrective action)*

While the post court screen would still be a valuable tool for workers, dedicating the programming resources to develop and test the screen have proved difficult. Because the data necessary for the medical interface is currently captured in other areas of DACSES, management has decided not to implement the post-court screen and will upgrade the existing functionality when DACSES is replaced.

National medical support notice *(No longer warranting further action)*

DCSE fully implemented the National Medical Support Notice.

Completed July of 2004

New DACSES system (partially corrected)

DCSE has submitted the federally required Feasibility, Alternatives and Cost benefit analysis for the replacement project. Final federal approval of that study was received on January 30, 2009. DCSE is preparing the RFP and IAPD for submission to OCSE approval of which will launch the development phase for the replacement project. Kick off for that effort is projected for June 2009.

Updated Response: The RFP and IAPD were approved by OCSE in June 2009 and the Implementation RFP was issued on July 13, 2009.

Anticipated Completion Date
November 2010

Finding Number:	**08-DMMA-01**
Fiscal Year:	**2006**
Related Prior Findings:	**06-DMMA-01, 07-DMMA-01**
Current Year Findings:	**None**
Program:	**93.775, Medical Assistance Cluster** **93.777,** **93.778**

Condition
For 60 TPL claims tested in 2008, we noted that the State's third party service provider sought reimbursement from at least one insurance provider for all claims tested. However, we were unable to determine the extent to which reimbursement was sought for the claims with open reimbursement status. This represents 11 of the 60 claims reviewed. We also noted the State does not currently communicate with the service provider regarding the status of open claims and does not monitor the claims collection process.

Recommendation
The State is currently in the process of developing a TPL policy manual. We continue to recommend that the manual includes specific language as to the responsibilities of all parties involved and that the policies noted in the manual be immediately implemented by the State.

Agency Contact
Laura Scott (302) 255-9524

Finding Status
Fully corrected.

Status
DMMA has a TPL policy manual. This manual includes the responsibilities of both the State and the third party service provider of managing open TPL claims. The policies in this manual were implemented June 2008. They include the review of open claim statistics on a bi-monthly basis and follow-up with the unresponsive carriers.

Finding Number: **08-DPH-01**
Fiscal Year: **2006**
Related Prior Findings: **06-DPH-01, 07-DPH-01**
Current Year Findings: **09-DPH-01**
Program: **93.268 Immunization Grants**
93.917 HIV Care Formula Grants

Condition

Immunization Grants and HIV Care Formula Grants

Employees who are charged 100% to the program complete semi-annual certifications in accordance with OMB Circular A-87. However, for employees who work on multiple cost objectives, the Division of Public Health has not yet developed a system to accurately allocate costs based on actual effort. In prior years, we have recommended these programs implement controls to reconcile the semi-annual certifications employees complete in accordance with OMB Circular A-87 to the budgeted amounts allocated to federal grants.

The programs continue to work toward implementation of these recommendations. However, per the Summary Status of Prior Year Findings, recommendations were only partially implemented as of June 30, 2008.

Recommendation

We continue to recommend an internal control be implemented at the program level to reconcile semi-annual cost certifications to the budget and allocate the differences to each federal grant. We also recommend all certifications are maintained on file as support for each employee's time charged to the grant.

Agency Contact

Martin Luta (302) 744-1050

Finding Status

Partially corrected.

Status

The Division of Public Health will take the following corrective actions to address the concerns of this finding. Each staff member will complete and sign a quarterly time certification sheet. The employee's signature will attest that they have spent all or a portion of their time on the particular grant or grants activities. The program manager will assure that all federally funded staff has signed the time certification sheets. If the employee is funded 100% from the particular grant that employee's signed certification will state that they have spent 100% of their time on activities pertaining to the grant. If an employee's time is spread across two or more federal grants, the time certification statement will detail the proportion of time spent on each grant (e.g., if Employee X spends 50% of their time on the Immunizations grant and 50% of their time on the HIV grant, their statement will be that they spent that proportion of time on each grant). The program manager will countersign these time certifications to attest to their review and that they are correct. This also ensures that each employee completes this time certification. Employees will go back to the beginning of the current state fiscal year and assure that these time certifications are completed and signed as described above. The manager will counter sign and date each one and forward a copy to the division's Office of Financial Services to be maintained for audit purposes. On a semi-annual basis, DPH will ensure the employee's salary is properly allocated in the general ledger system to the appropriate federal grants in accordance with the monthly certifications.

Anticipated Completion Date

March 31, 2010

Finding Number:	**08-DPH-02**
Fiscal Year:	**2006**
Related Prior Findings:	**06-DPH-14, 07-DPH-04**
Current Year Findings:	**None**
Program:	**93.283 Centers for Disease Control and Prevention, Investigations, and Technical Assistance**

Condition
Public Health Preparedness Section (PHPS) has not maintained records of federally funded equipment or tracked it according to OMB Circular A-110, Subpart C. In addition, the physical inventory of equipment taken in Fiscal Year 2008 has not been reconciled to the general ledger.

Recommendation
We recommend that the CDC Program maintain accounting records and track equipment in accordance with Circular A-110. We also recommend that CDC ensure periodic physical inventories are taken and reconciled at least once every two years.

Agency Contact
Joe Hughes (302) 223-1720

Finding Status
Not corrected or partially corrected.

Status
An audit of transaction records is complete for all equipment purchased under the grant since FY 2000. More than 90% of the equipment has been inventoried and reconciled to the transaction records. The list has recently been sorted to separate Information Technology, Laboratory, and Environmental equipment.

Anticipated Completion Date
August 31, 2009

Finding Number: **08-DPH-03**
Fiscal Year: **2004**
Related Prior Findings: **04-DPH-06, 05-DPH-06, 06-DPH-08, 07-DPH-09**
Current Year Findings: **None**
Program: **93.283 Centers for Disease Control and Prevention, Investigations, and Technical Assistance**

Condition
We noted that, in order to ensure provider claims are accurately paid, significant manual manipulation of the Screening for Life (SFL) database is required, including:

- Reviewing the data for duplicate claims and suppressing payment on duplicates as appropriate.
- Reviewing and changing as appropriate State appropriation codes and fiscal years.
- Reviewing suspended items for propriety and changing status as appropriate.
- Reviewing claims denied for propriety and changing status as appropriate.

We also noted that:

- There is no up-to-date system documentation including support of changes that have been made to the system since inception, which may result in difficulties in updating the SFL system for programmatic changes.
- The system is based on Access 97, which is an application that is no longer supported by Microsoft. This may result in difficulties in updating the SFL system for programmatic changes.
- Test and production databases are on the same server, which may result in data being erroneously changed.
- The system does not include all MDE's mandated by the grantor, which may result in difficulty providing adequate screening data to the grantor agency.
- Physical and logical security surrounding the SFL system contain weaknesses, such as the ability of users to potentially by-pass the data entry screens and manipulate underlying data, that may result in data being changed without the knowledge of program personnel.

Total breast/cervical screening claims paid with federal funds for the year ended June 30, 2008 were $508,814. This amount impacts other financially related compliance requirements, including matching, maintenance of effort, period of availability, and financial reporting. Total expenditures for CFDA number 93.283 were $10,878,883.

Recommendation
We recommend that the SFL Program continue to implement its corrective action plan, which includes a proposal to enhance the Screening for Life database to a server modular based application.

Agency Contact
Jill Rogers (302) 744-1000

Finding Status
Action taken different than original corrective action.

Status
The Screening for Life program is currently in collaboration with the Delaware Health Care Commission to outsource the Screening for Life system. The Business Case has been approved and a RFP has been issued. The Screening for Life program and the Delaware Health Care Commission are in negotiations with the vendor. Once the negotiations are complete a contract will be signed and the Screening for Life Program will work with

the vendor and the Delaware Health Care Commission on customizing a system to meet the needs of the program. Outsourcing the Screening for Life system will essentially eliminate all the weaknesses noted in the above "Condition" section.

Anticipated Completion Date
June 2010

Finding Number: **08-SSC-01**
Fiscal Year: **2003**
Related Prior Findings: **03-SSC-04, 07-SSC-01**
Current Year Findings: **None**
Program: **93.568 Low Income Home Energy Assistance Program**

Condition
The Low Income Home Energy Assistance Program's (LIHEAP) policy is to perform an annual review of both the fiscal and program activities at the subrecipient in order to meet the requirements noted in the Criteria section. For the subrecipient selected for testwork, there was evidence of program review and testing; however, the Division could not provide evidence of any monitoring of the fiscal activities. We were also not able to assess the level of testing that should have been performed by management as management had not performed a risk assessment on the subrecipient.

Total expenditures made to subrecipients for the fiscal year ended June 30, 2008 were $6,261,846.

Recommendation
We recommend that LIHEAP enhance its current policies and procedures over subrecipient monitoring, specifically the during-the-award monitoring (i.e., performance reports, site visits, etc.), to ensure that its subrecipients are complying with program laws, regulations, and grant award provisions and that its performance goals and objectives are being achieved.

Management should also perform a risk assessment of the subrecipient to determine the level and extent of testing over the direct and material compliance requirements as required by Circular A-133.

Agency Contact
Hansella Cannon and Sonya Battle (302) 255-9695 and (302) 255-9888

Finding Status
Fully corrected.

Status
The Division of State Service Centers' fiscal unit has performed annual fiscal audits in compliance with OMB Circular A-133. The LIHEAP Administrator will monitor subrecipients and request documentation for compliance with the Risk Assessment Form.

Finding Number:	**08-DOL-01**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**None**
Program:	**17.258, WIA Cluster**
	17.259,
	17.260
	84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States
	96.001 Social Security - Disability Insurance

Condition

WIA Cluster

For four of 13 documents selected for testing, we noted that the preparer of the drawdown and cash receipt (CR) document also signed the document as the reviewer. In addition, the supporting drawdown requests for those four CR documents were prepared and approved by the same individual.

Rehabilitation Services - Vocational Rehabilitation Grants to States

For three of 10 documents selected for testing, we noted that the preparer of the drawdown and cash receipt (CR) document also signed the document as the reviewer.

Social Security - Disability Insurance

For two of the 11 documents selected for testing, we noted that the preparer of the drawdown and cash receipt (CR) document also signed the document as the reviewer.

Recommendation

We recommend that the Department enhance its policies and procedures for drawing down federal funds in order to ensure a proper segregation of duties.

Agency Contact

Kris Brooks (302) 761-8024

Finding Status

Fully Corrected.

Status

The Divisions of Employment and Training and Vocational Rehabilitation have enhanced their procedures for drawdowns to ensure a proper segregation of duties.

Finding Number:	**08-DOL-02**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**09-DOL-01**
Program:	**84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States**

Condition
For two out of 40 clients selected for testing, the client's eligibility for services was not determined within the required 60-day timeframe. One client's eligibility was determined in 68 days while the other client's eligibility was determined in 155 days after receipt of the application. Both clients were ultimately determined to be eligible to receive services.

Recommendation
DOL should reinforce its policies and procedures to ensure that all eligibility determinations are made within the required 60-day timeframe, unless exceptions granted by the federal regulations occur and are properly documented in the client file.

Agency Contact
Kris Brooks (302) 761-8024

Finding Status
Partially corrected.

Status
The Division of Vocational Rehabilitation will exercise due diligence in adhering to policies for ensuring that eligibilty determinations are made within the 60 day timeframe, including supervision, training, quality assurance and monitoring.

Anticipated Completion Date
Ongoing.

Finding Number:	**08-DOL-03**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**None**
Program:	**17.258, WIA Cluster**
	17.259,
	17.260

Condition

For 2 of the 2 certified training providers selected for testing, we noted that the training contracts did not contain language requiring the provider to certify that they were not suspended or debarred nor did the Delaware Workforce Investment Board (DWIB) check the EPLS website to verify that these providers were not suspended or debarred. Total expenditures paid to the two training providers selected for testing totaled $335,457 during Fiscal Year 2008. Total expenditures paid to certified training providers by the program during Fiscal Year 2008 totaled $893,644.

Recommendation

DOL and DWIB should implement policies and procedures to ensure that the required suspension and debarment verification procedures are performed.

Agency Contact

Kris Brooks (302) 761-8024

Finding Status

Fully Corrected.

Status

The DOL and DWIB have implemented policies and procedures to ensure that the required suspension and debarment verification procedures are performed.

Finding Number:	**08-DOL-04**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**09-DOL-02**
Program:	**17.258, WIA Cluster 17.259, 17.260**

Condition
In determining if a client is eligible for WIA benefits, a case manager prepares an Employment Development Plan (EDP) justifying the training the client should receive with WIA funds. A manager reviews the EDP and approves or denies the client for services.

For two out of 40 clients selected for testing, the EDPs were missing from the client files. The total amount of benefits paid on behalf of these clients was $3,500.

Recommendation
We recommend that DOL implement policies and procedures to ensure that all EDPs are properly reviewed and maintained in the client files.

Agency Contact
Kris Brooks (302) 761-8024

Finding Status
Partially corrected.

Status
The Division of Employment and Training has reinforced its policies and procedures to include that no case can be approved without a supervisor signature on the written EDP.

Anticipated Completion Date
March 30, 2010

Finding Number:	**08-OMB-01**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**None**
Program:	**93.563 Child Support Enforcement** **45.310 Grants to States**

Condition
For two of the 10 Statewide contracts selected for testwork, federal suspension and debarment certification language was not included in the contract between the State and the vendor. There is also no evidence that GSS reviewed the list of excluded parties (federal EPLS) to determine whether the vendor was federally suspended or debarred prior to issuing the contract. The two contracts selected that did not include the proper suspension and debarment language were in the following major programs: Child Support Enforcement (93.563) and Grants to States (45.310).

Recommendation
We recommend that GSS fully implement their procedures to ensure that all Statewide contractors are not federally suspended or debarred by ensuring that suspension and debarment certification language is included as part of the standard State contract.

Agency Contact
William W. Pickrum, Deputy Director (302) 857-4501

Finding Status
Fully Corrected.

Status
In the boilerplate for GSS contracts, the following language appears: "The Contractor must affirm that within the past five (5) years the firm or any officer, controlling stockholder, partner, principal, or other person substantially involved in the contracting activities of the business is not currently suspended or debarred and is not a successor, subsidiary, or affiliate of a suspended or debarred business."

Finding Number:	**08-DSHS-01**
Fiscal Year:	**2008**
Related Prior Findings:	**04-DEM-03, 05-DEM-01, 06-DEM-01, 07-DEM-03**
Current Year Findings:	**None**
Program:	**97.004 Homeland Security Cluster**
	97.067

Condition

Specific allocations are made from each employee's salary to the grant. Some employees' salaries are charged 100% to the grant, while only a portion of other employees' salaries is charged to the grant. For the first six months of Fiscal Year 2008, there were no personnel activity reports that reflect after-the-fact distributions of the actual activity on the grants charged. DEMA implemented procedures in the third quarter of the current fiscal year to have employees complete effort reporting for each pay period, which is used as the basis to charge the programs based on actual hours worked by each employee in accordance with the requirements of OMB Circular A-87, Attachment B.11.h.4(e). We selected 40 payroll transactions and noted that DEMA did not update allocation percentages in the PHRST payroll system for any of the items selected for test work.

Recommendation

We have reviewed the procedures implemented by DEMA during 2008 to properly meet the effort reporting requirements and allocate payroll costs based on this effort reporting. Based on our review of these procedures, we have no further recommendations to correct this finding and bring the program into compliance with the federal regulations.

Agency Contact

Bob Harrison (302) 659-2244

Finding Status

Fully Corrected.

Status

Bi-Weekly timesheets were created and have been used for 18 months. This corrected the problem.

Finding Number:	**08-DSHS-02**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**09-DSHS-01**
Program:	**97.004 Homeland Security Cluster**
	97.067

Condition

DEMA may procure goods and services from various vendors with the use of Homeland Security Grant funds. We selected four vendors that DEMA has expended more than $25,000 during Fiscal Year 2008 from Homeland Security Grant funds for test work. For one of the four vendors selected for test work, DEMA did not verify that the entity was not suspended or debarred.

Recommendation

We recommend that DEMA add procedures to ensure that the required suspension and debarment requirement is reviewed prior to execution of the vendor contract.

Agency Contact

Bob Harrison (302) 659-2244

Finding Status

Partially Corrected.

Status

Language was added to the Contract Checklist used by employees so this is not overlooked in the future. DEMA's contract checklist includes an item requiring the vendor be vetted through the online excluded parties listing maintained by the federal government. Additionally, a screen shot will be placed in the file as further proof the vendor was checked. All DEMA personnel with contracting responsibilities have been briefed again on this requirement.

Anticipated Completion Date

August 14, 2009

Finding Number:	**08-DSHS-03**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**None**
Program:	**20.600, Highway Safety Cluster**
	20.601,
	20.602,
	20.605,
	20.609,
	20.612,
	20.613

Condition

OHS may procure goods and services from various vendors with the use of Highway Safety Grant funds. We selected three vendors that OHS has expended more than $25,000 during Fiscal Year 2008 from Highway Safety Grant funds for test work. For three of the vendors selected for test work, OHS did not verify that the entity was not suspended or debarred.

OHS passes Highway Safety Grant funds through to other local governmental units and nonprofit organizations, which are defined as subrecipients. We selected five subrecipients receiving Highway Safety Grant funds for test work. For five of the subrecipients selected for test work, OHS did not verify that the entity was not suspended or debarred.

Recommendation

We recommend that OHS add procedures to ensure that the required suspension and debarment verification is obtained from subrecipients at the time of the sub-award and from vendors prior to execution of the contract.

Agency Contact

Stephanie Young (302) 744-2673

Finding Status

Fully corrected.

Status

This was fully corrected by adding the requirement to check the Federal Excluded Parties List System (EPLS) to the contracting and subrecipient check lists and requiring a printed copy of the search in the subrecipient's folder or the contract master file.

Finding Number: **08-DSHS-04**
Fiscal Year: **2008**
Related Prior Findings: **None**
Current Year Findings: **None**
Program: **20.600, Highway Safety Cluster**
20.601,
20.602,
20.605,
20.609,
20.612,
20.613

Condition
Specific allocations are made from each employee's salary to the grant. Some employees' salaries are charged 100% to the grant, while only a portion of other employees' salaries is charged to the grant. There are no personnel activity reports that reflect after-the-fact distributions of the actual activity on the grants charged. OHS have procedures in place to perform "effort reporting" for seasonal/casual employees, however, these reports are not utilized to charge the employee's salary to a specific grant based on actual time spent working on each grant. We selected 40 payroll transactions and noted that OHS did not charge payroll costs to each grant based on the effort reporting for any of the items selected for test work.

Recommendation
We recommend that OHS's personnel implement procedures and controls to ensure that effort certifications are obtained from each employee, stating the grants worked on during the period covered by the certification. In addition, we recommend that OHS utilize the procedures in place to perform "effort reporting" for seasonal/casual employees, and that these reports be used to charge the employee's salary to a specific grant based on actual time spent working on each grant.

Agency Contact
Stephanie Young (302) 744-2673

Finding Status
Fully corrected.

Status
The employee which work on multiple grants is documenting their time spent on each one for effort reporting. The rest of the employees are certified that their duties only require them to work on one grant. All seasonal/casual employees are only working on one grant.

Finding Number: **08-CYF-01**
Fiscal Year: **2004**
Related Prior Findings: **04-CYF-01, 05-CYF-01, 06-CYF-01, 07-CYF-01**
Current Year Findings: **09-CYF-01**
Program: **93.658 Foster Care – Title IV-E**

Condition
The DHHS Office of Inspector General issued report number A-03-03-00562 dated July 8, 2005 covering the five-year audit period October 1, 1998 to September 30, 2003 that stated, in part:

"Delaware's cost allocation plan describes the procedures used to identify, measure, and allocate administrative and training costs among benefiting federal and State programs. DCA approved Delaware's cost allocation plan 95-1 in March 1999. The plan was effective from October 1998 through September 1999. In December 1999, DCA approved cost allocation plan 95-2, effective October 1999.

After approval of plan 95-2, ACF [DHHS, Administration for Children and Families] regional officials noted unanticipated increases in Title IV-E administrative costs. ACF initiated deferral of certain costs claimed for Title IV-E candidates and requested that the Office of Inspector General audit Delaware's claims for Title IV-E administrative and training costs developed under plan 95-2."

The report further states that:

"The [State Department of Services for Children, Youth and Their Families (DSCYF)] Department of Services used the revised [95-2] methodology to allocate candidates' case management costs…during the quarters ended December 1999 through June 2003."

And that:

"Beginning with the quarter ended September 2003, the Department of Services returned to the earlier method that properly allocated candidate costs to benefiting programs. However, the Department of Services did not amend its cost allocation plan."

The report identifies costs of $5,859,542 (federal share) over the five-year period under audit related to the use of the 95-2 methodology, and recommends, in part, that the State "…amend its cost allocation plan to reflect the appropriate methodology for allocating administrative costs for foster care candidates."

DSCYF stated its concurrence with this recommendation in its official response to the audit report, and stated its intention to amend its cost allocation plan in the December 2005-January 2006 time frame, anticipating approval from the Regional Office of the Administration for Children and Families (RO) to pilot a proposed DSCYF foster care candidacy documentation system. DSCYF, in the interim, reverted to the previously approved 95-1 methodology after discussion with DHHS.

For the period under audit for purposes of the Single Audit (July 1, 2007 through June 30, 2008), the Foster Care program was not operating under a cost allocation plan submitted in accordance with 45 CFR §95.509 and HHS Grants Administration Manual Chapter 6-200.

Costs allocated using the original methodology approved in the 95-1 cost allocation plan for the Foster Care program for the year ended June 30, 2008 were $2,560,157, representing 46% of the total program costs of $5,506,888.

In Fiscal Year 2006, the Federal Health and Human Services Inspector General's office audited the Department's allocation of administrative and training costs to the Title IV-E program for which a final report has been issued.

As a result of the uncertainty surrounding implementation of a new cost allocation plan related to Foster Care, we will not opine on compliance for this program.

Recommendation
We recommend that DSCYF continue to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562 which it concurred within a letter dated May 25, 2005 included as an appendix to that report.

Agency Contact
Harry Roberts (302) 892-4534

Finding Status
Not corrected or partially corrected.

Status
DSCYF continues to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562 with which it concurred in a letter dated May 25, 2005 included as an appendix to that report.

As a result, programming of the DSCYF client information system (FACTS) to document foster care candidacy was completed in April 2008. DSCYF has also been actively working with the RO to address concerns regarding the DSCYF random moment time study (RMTS), activity descriptions and related issues. The final set of RMTS items were resolved in November 2009. DSCYF is now in the process of rewriting the Cost Allocation Plan (CAP) and plans to submit it by the end of the second quarter of 2010 with successful negotiations targeted for conclusion by the end of the third quarter 2010.

Anticipated Completion Date
September 2010

Finding Number: **08-CYF-02**
Fiscal Year: **2006**
Related Prior Findings: **06-CYF-02, 07-CYF-02**
Current Year Findings: **09-CYF-02**
Program: **93.658 Foster Care – Title IV-E**

Condition
During the week of August 14, 2006, ACF staff from the Central and Regional Offices and State of Delaware staff conducted an eligibility review of Delaware's Title IV-E Foster Care program. A review of a sample of 80 cases was drawn for the review period October 1, 2005 to March 31, 2006. The review team determined 6 cases were ineligible for federal funding and concluded that Delaware's Title IV-E program was not in substantial compliance with federal child and provider eligibility requirements for the review period.

During Fiscal Year 2008, we tested 60 case files for provider eligibility requirements. Those files included supporting documentation showing compliance with federal child and provider requirements for the year ended June 30, 2008. However, we noted the internal controls surrounding periodic review of the case files were not being performed timely in accordance with State and agency policies.

Per the Summary Status of Prior Year Findings, the Department of Services for Children, Youth and Families (DSCYF) has started to implement action steps and system changes, however, the corrective action is still in process and has not yet been completed.

Recommendation
We recommend that DSCYF continue to implement its corrective action plan, which includes enhancement of the controls surrounding foster care provider approval to ensure that approval requirements are met and are periodically reviewed in accordance with State and agency policies.

Agency Contact
Harry Roberts (302) 892-4534

Finding Status
Partially corrected.

Status
Region III ACF has received and accepted quarterly reports submitted related to DSCYF's Program Improvement Plan (corrective action plan) which included this component. The action steps and the staff training have been completed. This includes contract and policy changes implemented on 7/1/08. Biannual reviews will follow after 7/1/08. It should be noted that Region III is scheduled to conduct an eligibility review in the Spring of 2009 which will include the issues cited in this finding.

In April 2009, ACF staff conducted a follow up eligibility review for the Foster Care program. The result of that review was the program was in substantial compliance with federal eligibility requirements.

In December 2009, SB & Co. conducted an eligibility review for the Foster Care program, stating that "periodic review of the case files were not being performed timely in accordance with State and agency policies."

Following the April 2009 review conducted by ACF, DSCYF contracted with a consultant to review the business processes for Title IV-E foster care eligibility. The recommendations from that review were received by DSCYF in October 2009. DSCYF is currently in the process of implementing those recommendations. These recommendations are to improve the efficiency of the eligibility process.

With respect to the provider eligibility finding listed in 09-CYF-02, DSCYF has contracted with MAXIMUS to provide modifications to the FACTS system as recommended during the business review. These modifications will incorporate a historical listing of provider license approval dates. The licensing information will then be made a part of the logic that governs the child's outcome for Title IV-E eligibility.

In addition, the federal requirement for a child's eligibility must be reviewed at least annually. In December 2009, DSCYF updated the policy and procedures manual for Title IV-E eligibility to reflect the federal standard of an annual review. The modifications being made to the FACTS system should make the determination of eligibility for the Title IV-E Foster Care program more efficient.

Anticipated Completion Date
December 2010

Finding Number:	**08-DOS-01**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**None**
Program:	**45.310 Grants to States**

Condition

Specific allocations are made from each employee's salary to the grant. Some employee's salaries are charged 100% to the grant, while only a portion of other employees' salaries are charged to the grant. For all 40 payroll expenditures selected for testwork, there were no supporting personnel activity reports that reflected after-the-fact distributions of the actual activity being charged to the grant, and no semiannual certifications were prepared for employees working exclusively on the grant.

Recommendation

We recommend that the Division of Libraries follow Circular A-87 guidance to develop policies and procedures to ensure that all employees being paid with federal grants complete and sign time and effort certifications to support the payroll costs, as well as require supervisory review and approval of the certifications.

Agency Contact

Annie Norman, Director,	(302) 739-4748 x126
Despina Wilson, Management Analyst	(302) 739-4748 x128

Finding Status

Fully Corrected.

Status

Employee paid with federal funds sign a time and effort certification on a monthly basis to support the program areas they work in.

Finding Number:	**08-DOS-02**
Fiscal Year:	**2008**
Related Prior Findings:	**None**
Current Year Findings:	**None**
Program:	**45.310 Grants to States**

Condition
The Division of Libraries may procure goods and services from various vendors with the use of Grants to States funds. We selected one vendor that the Division has expended more than $25,000 during Fiscal Year 2008 from Grants to States funds for test work. For the one vendor selected for test work, the Division did not verify that the entity was not suspended or debarred.

Recommendation
We recommend that the Division implement policies and procedures to ensure that the required suspension and debarment verification procedures are performed.

Agency Contact

Annie Norman, Director,	(302) 739-4748 x126
Despina Wilson, Management Analyst	(302) 739-4748 x128

Finding Status
Fully Corrected.

Status
The Division of Libraries has incorporated an Affirmation section in all its contracts with vendors which makes the vendor certify that they are not suspended or debarred. Specifically, the language is as follows: "The Contractor must affirm that within the past five (5) years the firm or any officer, controlling stockholder, partner, principal, or other person substantially involved in the contracting activities of the business is not currently suspended or debarred and is not a successor, subsidiary, or affiliate of a suspended or debarred business."

Finding Number:	**08-DOT-01**
Fiscal Year:	**2005**
Related Prior Findings:	**05-OMB-01, 06-OMB-01, 07-DOT-01**
Current Year Findings:	**None**
Program:	**20.205 Highway Planning and Construction Cluster**

Condition
Similar to the prior year, we noted that the State was not properly complying with the composite clearance method for the Highway Planning and Construction Cluster.

We noted that out of ten draws selected, seven were made five days subsequent the midpoint of the group of composite disbursements, and one was made six days subsequent to the midpoint of the group of composite disbursements. The weighted average clearance for all disbursements per the Treasury-State agreement is seven days. Total drawdowns included in the sample were $21,102,179, of which $11,255,075 were drawn on the fifth day and $2,464,528 was drawn on the sixth day.

The State did not report any interest liability on its annual report for the year ended June 30, 2008.

Recommendation
We recommend that the State's OMB continue with its corrective action plan by implementing the following initiatives:

- Develop Statewide policies and procedures related to federal cash management activities,
- Provide copies of the Treasury-State agreement to each impacted agency, and
- Provide periodic training sessions for individuals responsible for federal cash management activities.

Agency Contact
Kathy English (302) 760-2687

Finding Status
Fully corrected.

Status
We are in compliance with the direction from OMB.